THE GROWTH OF COLLECTIVE ECONOMY

BY

F. E. LAWLEY

VOLUME I

THE GROWTH OF NATIONAL COLLECTIVE ECONOMY

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I

DEDICATE

THIS VOLUME

to

MY MOTHER:

A TRIBUTE

OF

AFFECTION AND REMEMBRANCE

PREFACE

This work was begun in 1924 as an investigation of the methods of compensation adopted in various countries in the transfer of private property to the State. The inquiry was extended to cover methods of transferring industry from private ownership to public ownership and control, excluding post-War Russian experience.

In 1925, I went out to Geneva to utilise the resources of the International Labour Office of the League of Nations in my study. In subsequent experience at Geneva as a journalist and, more especially, during my service as an official of the International Labour Office, from 1929 to 1934, first in the Economic Section of the Research Division and then as Press Officer for English-speaking countries, I had special opportunities of consulting unique sources of information in the International Labour Office and in the Secretariat of the League of Nations. Further participation in I.L.O. work and visits to Geneva since 1934 have kept me in close touch with recent social and economic developments in various countries.

I cannot express adequately my profound gratitude to my old friend, Mr. E. S. Evans, for his constant encouragement, sage advice and most generous help, which have made possible the publication of this work; to my friend, Mr. T. T. Scott, Chief of the Maritime Service of the International Labour Office, for his loyal support, sound judgment and generosity; to my friend, Professor Edgard Milhaud, of Geneva University, to whom, as my former Chief in the Economic Section of the Research Division of the I.L.O., I pay my humble

tribute for all that I have learned from him and for his unceasing interest in my modest study; and to the Buxton Trust, Mr. H. B. Butler, C.B., Director of the International Labour Office, and Mr. M. R. K. Burge, Director of the London Office of the I.L.O., for their most sympathetic and invaluable assistance. I acknowledge my great indebtedness to Mr. Alfred E. Macdonald, of Messrs. Macdonald & Evans, for the good counsel which he has placed at my disposal from time to time. I desire also to acknowledge my obligation to Miss E. Foster Brown, who helped me with the Index, two anonymous Quakers, Miss Harriot Hopkinson, Dr. Owen W. Roberts, Professor J. H. Richardson, Mrs. E. J. C. Neep, Mr. Russell Scott, Mr. W. S. Sanders, M.P., Mr. S. Parlett, Professor A. C. Pigou, Mr. R. H. Tawney, Mr. E. E. Hunter and the former I.L.P. Information Committee, Mr. W. F. Reddaway, Dr. H. W. Laidler, Executive Secretary of the League for Industrial Democracy, New York City, Mr. D. C. Tait, Mr. F. W. Galton, Mr. G. D. H. Cole, Miss Dutt, Lady Howard, Mr. Rodger Wrightson, Mr. Carl D. Thompson, Dr. Mack Eastman, Dr. J. J. Mallon, Mr. H. R. Cummings, Director, London Office of the League of Nations, Mr. O. S. Griffiths, my mother and father, my sisters, Miss Ruth Lawley and Mrs. Arthur Lupson, my brother, Mr. A. J. Lawley, the Department of Overseas Trade and its representatives in foreign capitals, the Swedish Legation in London, the Librarian of the Royal Colonial Institute, the officials of the British Museum Reading Room for their unfailing courtesy and helpfulness and other former colleagues of the I.L.O. and League of Nations' Secretariat.

F. E. L.

KENLEY,

1937.

INTRODUCTION

To an increasing extent private property is being disciplined by the State; and there is a growing measure of State intervention in economic life, which occurs in a great variety of ways. Rationalisation, moreover, has an increasingly collective tendency. In the administration of publicly-owned and operated industrial undertakings, the volume of which has grown enormously, the national interest must predominate, and not sectional interests, whether of finance-capital or of trade unions. The most striking feature of recent economic development has been the extension of State intervention in the direction of national economic life as a whole, through National Economic Councils designed to eliminate the anarchy of a laissez-faire economic régime and to produce a true national economic equilibrium. Organised national economies are the order of the day. In the operation of a collective economy, the motives of private profit-making and competition must play a subordinate part: new incentives, such as those of a healthy professionalism, must be developed.

In the pre-1914 world, national economic activity and international economic relations were characterised by laissez-faire production, exchange, transport and finance. During the Great War, most of the world's economic life was governed by the new principle of economic organisation under public authority. With the dissolution of the Supreme Economic Council, in 1919, there was a reversion to the laissez-faire principle. In time, however, the development of the ideas of scientific management of industry, the principle of which was seen to be opposed radically to that of economic laissez-faire, was reflected in the extension of these ideas to the

rationalisation of the wider sphere of economic activity, embracing world production, markets and exchange. The nature of capitalist evolution, especially the application of science to production, and the failure to organise purchasing power and markets to keep pace with the terrific increase in productivity, impelled producers of various commodities to conclude agreements regulating production and markets, in some of which Governments participated. The great economic crisis beginning in 1929 emphasised the essential instability of a laissez-faire economic régime; and suggested the necessity of a return to the economic principle governing war-time economic activity. At the same time, side by side with the development of National Economic Councils to control national economic life, there emerged proposals for the creation of a World Economic Council and appropriate related organisations to control world economic life.

The struggle between the new and the old economic ideas was carried on at successive world economic conferences. The discussions at the World Economic Conference, at Geneva, in 1927, centred round the idea of rationalisation of world economic activity; while those at the Monetary and Economic Conference, at London, in 1933, pivoted on the question of co-ordination of production and marketing. The battle of economic ideas continues; but there are signs that the significance of the new economic principle is being recognised, particularly with the growth of international organisation in the sphere of production of and trade in raw materials and foodstuffs, compensated exchange and the experience of Exchange Equalisation Funds.

It is my firm conviction that there can be no solid basis for permanent world peace until the world's economic life has been organised, under public authority, on an equitable basis and in accordance with sound economic principles. These require the supersession, in the minds of economists and members of Governments, of all ideas of economic laissez-faire by ideas of economic organisation and collective economy. They involve the

organisation and control of world production in the light of a true international division of labour and, above all, the organisation of world trade, so as to relate directed production to sure markets and adequate purchasing power, all expanding by the increasing application of science to economic life. Thus, standards of living and working conditions can be raised by international co-operation. In all this work a reformed League of Nations and, in particular, a more authoritative International Labour Organisation, will play a dominant part.

The sense of urgency that inspired State organisation and control of national economic life, and co-operation between Governments in organising and controlling international economic life during the Great War, must be recaptured for a similar effort for equally pressing peace-time purposes.

This work was completed in May, 1936. Appendices to these Volumes contain the latest available information on all important points mentioned in the text and on other outstanding developments. The Appendices should be consulted in the case of each Chapter. The page numbers of each Chapter are indicated, in italics, at the start of the Chapter. Then the specific page (or pages) of the text to which information relates is shown clearly. Where information relates to a footnote in the text, this is indicated. Countries for which information is given appear in the same order as in the text.

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INTRODUCTORY QUOTATIONS

"The whole question of State Control over industry in every country in the world is now a dominant issue . . . Here are problems enough to engage the hardest intellects for many years ahead." (*The Times*, leading article, 19.7 35.)

"The two days devoted by the House of Lords to the problem of capitalism and socialism were time well spent . . . The House of Commons is always too much preoccupied with the details of legislation to permit any useful discussion of fundamental ideas; but there must be such discussion if laws are to have any coherence. . . . The debate as a whole must have deepened the impression that Western Society is in a period of transition, a transition no less profound than that by which the Feudal System passed into the Individualist and Capitalist System. . . . The great transition through which society is passing is one which proceeds apace, whatever government may be in power. . . . Competition has disappeared over a large portion of the industrial field. Moreover, the motive of profit, the mainspring of the capitalist system, has a decreasing importance It has long been recognised that there are certain essential services, both national and local, which the motive of profit will never supply, or supply sufficiently. . . . Service rather than profit will undoubtedly be the keynote of the age into which we are passing." (*The Times*, leading article, "The Silent Revolution", 25 3.35.)

"Modern developments in the structure and methods of governmental agencies have fitted these agencies for beneficial intervention in industry under conditions which would not have justified intervention in earlier times." (A. C. Pigou, *The Economics of Welfare*, London, 1920, p. 299)

"To talk of a new campaign for individualism is ludicrous. . . . This is the age of interdependence. . . . This is the age of associated effort on a widening scale. . . . The supervisory and safeguarding functions of the State, in view of trusts, national and international, must extend in the interests of the ordinary citizen.

You can no more prevent it than you can repeal the Factory Acts." (J. L. Garvin, in *The Observer*, London.)

"Real public ownership is the very essence of democracy. Instead of debasing human nature by conflict and corruption, and dividing men into masters and mastered, it brings men together in a union of interest, accords to all a share in the development arising from the exercise of judgment and discretion in the control of business affairs, and affords the co-operative conditions necessary for the highest traits of conscience and character." (Professor Frank Parsons, Boston Law School, U.S A)

"Private control of public business for private profit is destroying the foundations of our government and rendering the American people impotent to govern themselves . . .

"The gains of 300 years' development of the natural resources of America, the gains of 150 years' development of the institutions of self-government, the gains of the industrial revolution and the development of machine power for the service of human beings, may be made available to enrich the lives of 120 million people and to endow their children with an even greater wealth, only if we can exercise the essential powers of self-government and control of public business of the nation for the common good. We have ample evidence that if the public services of transportation, communication, light, heat and power and water remain subject to proprietary control for private profit, the great masses of the people will steadily lose control of their standards of daily living. Their habits of living and thinking, their freedom to work for themselves, and to think for themselves, will tend to disappear in individual subjection to the all-powerful influence of great enterprises, which on the producing side will measure their incomes and on the consuming side will determine their expenditure.

"There is no exaggeration in the warning of one of our most eminent and conservative economists, written in 1911: 'It is not too much to say that the future of democracy will depend on its success in dealing with the problems of public ownership and regulation.' [1]

"There is no exaggeration in asserting that the problem presented to this Commission is nothing less than the recovery of our vanishing power of self-government. It cannot be solved by any timid fumbling and tinkering with a regulatory machinery of proved incompetence. It may be solved by a vigorous reasser-

[1] F. W. Taussig, *Principles of Economics*, Vol. II, p. 411.

tion of the necessity of public control of public business and a courageous exercise of the supreme authority of the State to preserve the institutions of free government." (*Journal of Land and Public Utility Economics*, February, 1930: D. R. Richberg's suggestions to the New York State Commission on Revision of Public Service Commission Law, January 13th, 1930.)

"One cannot repeat too often that despite their protestations of liberal orthodoxy, industry and commerce voluntarily turn their eyes towards the State." (E. Minost, *Aux Confins de la Politique et de l'économie internationales. Les Coopérations Interétatistes*, Paris, 1929.)

"However much an enemy of the principle of State intervention, in its capacity as an administrative authority, one cannot conceive that the State, as a political power, should not be interested in the development of enterprises, like air navigation and wireless telegraphy . . . which become, one could say, 'mixed' by nature." (E Minost, *Aux Confins de la Politique et de l'économie internationales Les Coopérations Interétatistes*, Paris, 1929.)

"Some of the reasons why Adam Smith supports Government management of the Post Office would equally well apply to other activities which modern States now undertake" (G. F. Shirras, *The Science of Public Finance*, London, 1925, p 416.)

"An efficient corps of officials, like that of Prussia, is certainly not unknown in other countries of the world. The spread of education of a high type and growth of influence of universities with old traditions are having an incalculable effect on younger men of all the chief industrial countries Men of sterling character, able to produce as civil servants work of meticulous accuracy and finish are the products of our schools and universities The experience, therefore, of State enterprise in the twentieth century is on the whole against the disparaging criticisms of Adam Smith. It is frequently necessary on political and economic grounds for public authorities to undertake functions of an industrial and commercial nature. (G. F Shirras, *The Science of Public Finance*, p. 416.)

Concerning social and economic grievances and their remedies, Mr. Ramsay Macdonald, speaking at the Oxford University Debating Hall on February 17th, 1928, said : "You cannot get

a temporary cure for any of them unless it belongs to the nature of the thought and conception of society that nationalisation implies." (*Daily Herald*, 18 2.28)

"The success of Nationalisation, both in the form of State and of Municipal property and control, has been established beyond a peradventure, and the harder we hammer that into the minds of people the more successful shall we be But we must have the facts at our fingers' ends, and be master of them." (J Ramsay Macdonald, *Forward*, 23.2 29)

"There was however meanwhile a slow increase in the power of the people to govern the Government that governed them; and this power was destined to become so large and far-reaching that many tasks may now reasonably be intrusted to Government in the twentieth century which would have been grossly mismanaged in the first half of the nineteenth and would have been hotbeds of corruption in the eighteenth; thus a certain new tendency to a widening of the appropriate functions of Government gradually set in." (Alfred Marshall, *Industry and Trade*, 1919, pp 42–3)

"It frequently happens that the substitution of a public for a private enterprise results in incontestable progress." (International Chamber of Commerce: *Report on Comparative Study of Private and Public Enterprises*, 1929)

"It is true that in the modern State governmental supervision over certain branches and departments of economic life must now be accepted either as a necessary evil or as a step towards the millennium according to one's philosophy " (J. W. Angell, *The Recovery of Germany*, New Haven, 1932, p. 243, Chapter VII, vi, "Governments in Business".)

"It would be a useful contribution to the study of public administration if someone would draw up a list in which would appear both the nature of undertakings publicly owned in various countries and a note of the precise relationship in which they stand to the Government's main machine." (Mr. Hurcomb, C.B.E., Principal Assistant Secretary, Ministry of Transport, *Public Administration*, p. 361, Vol. IV, No 4, 1926.)

CHAPTER I

THE MENACE OF UNDISCIPLINED PRIVATE PROPERTY

THE most characteristic feature of the modern world is the poverty of the bulk of its inhabitants. Most people, in an age of amazing and unparalleled plenty, own practically nothing—although they exhibit an extraordinary readiness to suffer, and even to die, if necessary, in defending the possessions of the minority of the world's inhabitants. We do not produce enough goods to enable the majority of the people to enjoy a reasonable amount of possessions—although we destroy some of those we do produce! We could do so, of course, if we utilised properly the resources of science and the man-power that we now allow to waste in unemployment.

To-day there should be a clarion call to national and international *action* to provide for everyone a high standard of living and ample possessions of necessary goods. In most countries statesmen of all parties, and of none, agree that the need for action is great. What stands in the way? Let the blunt, and, for the comfortable minority, the unpleasant truth, be told: private, vested interests; the keen and ruthless determination to preserve and to protect the private property of the minority and the political and economic domination that it confers; the refusal of these private owners to allow the State to interfere with their property; these are the great obstacles.[1] It must be said, at once, that, if the

[1] Cf letter of J B Sheridan to a friend in the utility business, quoted by E. Gruening, *American Economic Review Supplement*, March, 1931, p 239, in an article "Power and Propaganda" "Possession of property breeds liars and cowards The man who invented private property was a mortal enemy of the human race".

majority of the people were sufficiently intelligent and active in defence of their own natural rights and interests, these obstacles could be overcome. They have been the victims of a curious fatalism which has induced them to believe that there is a natural sacrosanctness about the condition of economic inequality under which they have lived. In most countries the State has been compelled, by sheer economic necessity, to curb the egotism and individualism of private property-owners; and yet there still goes up the almost universal cry that nothing too radical must be done to interfere with private property and with the rights and powers of its owners, or to distribute more evenly and in greater volume the benefits that science has bestowed upon us.

It ought to be—but is not—generally recognised that, inasmuch as wealth and possessions are produced by co-operative efforts and by the aid of manual and intellectual skill with which individuals have been endowed for the service of their fellows, the product of such efforts should be distributed evenly and according to need, no one having any right to claim a relative abundance or monopoly of such wealth and possessions. It is very strange, moreover, that the vast majority of people in all countries, who earnestly need and desire peace, as they have to bear the heaviest burden of war, do not realise that there must be some strong, major interest making the threat of war a real one in certain circumstances. Machinery for the peaceful settlement of international disputes has been devised. Most statesmen loudly proclaim their desire to keep the peace. Why then, will nations not disarm and why are there wars and threats of war? The answer is, that there are private economic interests powerful enough to persuade Governments to pursue policies from which they will derive most benefit. Governments insist on conquering or on holding territory mainly because private interests are at stake. In the economic struggles within States and between States, in the last resort, private interests will not yield unless compelled to do so. They will

defend their unfair privileges at all costs. Hence civil and international strife.

There can be no permanent progress while that strife persists; and it is inevitable so long as the mass of non-property-owners within each State, becoming conscious of its rights and its power, finds itself confronted by a recalcitrant minority of privileged property-owners, and, so long as between the States, nations with poor resources and few possessions, or none, find themselves confronted by a refusal on the part of the nations with large resources and possessions to yield any of their unfair advantages.

The thesis sustained in the following pages, then, is, that as it is impossible to remove the two greatest curses of our modern world, poverty and the threat of war, while there remains a glaring inequality in the distribution of property and of the rights which its ownership confers, it is imperative to limit severely the ownership of property by private individuals, and to eliminate the unfair advantages enjoyed by one nation as compared with another; and to develop the collective control and ownership of goods and services, nationally and internationally as a means to the elimination of these evils. It will be seen, moreover, that this highly desirable development has been occurring, both within States and between States, to a much greater extent than is generally realised.

In the great economic crisis through which the world has been, and is still passing, there is a growing, insistent demand for national planning and control of industry. In countries like Great Britain the terrible experience of the distressed areas shows that the development of rationalisation and national action is thwarted by the obscurantist and obstructionist attitude of private owners in certain industries, for example, textiles and coal-mining.[1] These obstacles must be removed—and without delay.

[1] Cf. Sir J Stamp· "State control of industry is imperative . . You have only to take the cotton industry to see the difficulties of reliance on individualism. . . . We have got to realise that the State is going to be continually invoked in view of what is happening in Lancashire and Yorkshire, in coal and shipping Nothing but a planned regimentation of trade, as in Russia, will get us out of our dilemma." (*Daily Herald*, 11 9 34)

CHAPTER II

THE POWER OF THE STATE OVER PRIVATE PROPERTY AND PRIVATE ENTERPRISE

The upholders of the capitalist system assert the inviolability of private property and private enterprise. They deny the prior right of the community to regulate the disposal or the exercise of it. Here there is no intention to discuss whether in an ideal community private property would exist, and, if so, within what limits. To-day most people have no chance to acquire possessions deemed desirable. The first, immediate task is to see that the main productive and distributive work of society is handled socially, so that a high standard of living, including reasonable luxuries, is ensured for all. Then the sting of private property as it is now felt will have disappeared; for the ability of all equally to have access to necessary commodities and services will have robbed private property of its power to confer economic domination and excessive wealth through monopolistic and exclusive possession. To devitalise it and to take away this tyrannical power is the important and urgent problem.

As an indication of the limited character of the right to private property and private enterprise it is instructive to examine the practice of the State to-day in its dealings with it. This will strip these institutions of the halo of sacrosanctness with which they now tend to be surrounded.

The new post-war Constitutions of such States as Czechoslovakia, Roumania and Mexico explicitly define the limitations of private enterprise. The Spanish Constitution created by the Cortes in 1931 strictly stated that wealth and property were subordinated to the

national interest.[1, 2] It is generally admitted that in time of war or other national emergency the State has full power to dispose of private property and to discipline private enterprise. Thus, a January, 1936, Draft Decree enabled Italian military authorities to commandeer, for the armed forces, all wool obtained from the next clip—along the lines adopted during the Great War. Consider the elaborate plans made by some countries, and being prepared by others, such as Great Britain,[3] in regard to

[1] The text said "(i) The entire wealth of the country shall be subordinate to the interests of the economy of the nation, (ii) All kinds of property shall be subject to expropriation with adequate compensation unless otherwise provided by a law voted by the Cortes, (iii) The public services may be nationalised when necessary and the State may intervene in the working and co-ordination of industry as required by the interests of production and national economy Property shall not be confiscated" (*The Times*, 9 10 31)

[2] Art 151 of the Ecuador Constitution says that land ownership is not an absolute right, but is limited by restrictions imposed from time to time upon owners by the country's social evolution A 1935 Ecuador Act provided for reversion to the State, for re-distribution to the rural population, of private lands abandoned or left unproductive by their proprietors

[3] Cf French Premier's (M Flandin) statement in the French Chamber of Deputies in 1935, and the McSwain Bill passed by the U S House of Representatives. The U.S Senatorial Committee inquiry into the munitions industry is dealing with a plan of mobilising industry in time of war, drawn up by the War Department Draft Bills are ready to be sent to Congress should war break out In September, 1935, the U S. Government created an Office of Arms and Munitions Control In 1933, the Japanese Government prepared a Bill for mobilising all its economic and other resources in the event of a blockade, with a view to formulating a plan to guide and control industries from the standpoint of national defence and national economic development In July, 1935, the French Government introduced a Bill for organising the nation in case of war, which provided, *inter alia*, for State requisitioning, as necessary, of property, ships, etc, acquisition of buildings, purchase of agricultural produce and products of industries and compulsory acquisition of individual or commercial establishments to be run as a State monopoly with compensation. See also the White Paper on Defence published by the British Government on 3rd March, 1936 This followed on steps taken in 1935, in connection with the expansion of the Air Force, to check contract prices In the Air Ministry, in consultation with the Treasury, a costings department had been created, covering all kinds of contracts an experienced expert advisory committee was appointed The Air Ministry made bulk purchases and issued materials to manufacturers A similar system prevailed in other Service Departments The Prime Minister promised that the Defence plan would also provide for the prevention of excessive profits in orders placed The White Paper foreshadowed a thorough plan for organising national industry with a view to preparedness for a war emergency; to facilitate the transition from peace to war production, if necessary. It envisaged, *inter alia*, the extension or

national defence. Every State has the right to expropriate private property for purposes of public utility, which covers a wide range of needs and occasions.

An examination of the legal basis of U.S. public utility regulation gives a strong indication of the limited rights of private property. This can best be considered in examining the famous decision of the United States Supreme Court, in Munn *v.* Illinois (94, U.S. 113 [1876]), which decision focussed the common historico-legal background of public utility regulation in both the U.S. and Great Britain. This involved the validity of an Illinois statute fixing maximum rates for storing grain in Chicago. Munn had been in the elevator business since 1862, and had charged rates fixed by agreement among Chicago elevator owners; and had continued to charge them though they were above those fixed by the Act. He was convicted and fined in State courts; but appealed to the United States Supreme Court on the ground that the Act violated the 14th amendment in depriving him of his property without due process of law.[1]

duplication of Government factories; the selection of special firms to lay down plant and machinery for production of selected articles, on the basis of guaranteed orders from the Government, and the co-ordination of the demands of the three Services for supplies through the existing Principal Supply Officers' Committee Organisation of the Committee of Imperial Defence to ensure proper priority and eliminate high prices resulting from competition. Communications for sub-contractors in secondary or ancillary sections of industry would pass through small committees appointed by trade organisations There would be inspection of books, adequate technical costings, audits for the State and general Treasury supervision See, further, the Prime Minister's speech in the House of Commons, on 9th March, 1936, and that of the Under-Secretary for Air in the same place on 17th March, 1936. On 23rd March, 1936, Signor Mussolini announced the virtual nationalisation of all important national defence industries, and justified sterner State intervention in the national economy in certain directions on the moral ground that "the sad phenomenon of war profiteering" in Italy was never to be repeated. "The Fascist régime does not admit that individuals and companies may make profit from an event which imposes the severest sacrifices on the nation" See *The Times*, 24.3 36, and the *Evening Standard*, 23 3 36. Cf also Mr Lascelles' letter in *The Times*, 26 2 36, calling for the planning of the mobilisation of national resources for transport and supply of food and raw materials in war-time See also Chapter VI, pp 133–4

[1] *Encyclopædia Britannica*, Vol 18, pp. 746–7, "Public Utilities".

Chief Justice Waite upheld the validity of the Statute and said:

> Under circumstances in which elevators operated in Chicago, i.e., standing in "the very gateway of commerce and taking toll from all who pass", they had become business "affected with a public interest and had ceased to be *juris private* only"; this was quoted from Lord Chief Justice Hall who penned it 200 years ago in England This legal doctrine had been a rule of law and property ever since. Under it, in exercising the power of the State, "it had been customary in England from time immemorial and in America from its first colonisation to regulate ferries, common carriers, hackmen, bakers, millers, wharfingers, etc.", and to fix maximum charges In further explanation of this "public interest" doctrine the court said that private property is being used "in a manner to make it of public consequence, and affecting the community at large When, therefore, one devotes his property to a use in which the public has an interest, he in effect grants to the public an interest in that use, and must submit to be controlled by the public for the common good, to the extent of the interest he has thus created. He may withdraw his grant by discontinuing the use; but so long as he maintains the use, he must submit to the control."

In another case (Chas. Wolff Packing Company and Court of Industrial Relations of the State of Kansas, 262, U.S. 522 [1913]) Chief Justice Taft, of the U.S. Supreme Court, gave further precision to this "public interest" doctrine, saying:

> In a sense, the public is concerned about all lawful business because it contributes to the prosperity and well-being of the people. The public may suffer from high prices or strikes in many trades, but the expression "clothed with a public interest" as applied to a business means more than that the public welfare is affected by a continuity or by the price at which a commodity is sold or a service rendered The circumstances which clothe a particular kind of business with a public interest, in the sense of Munn *v.* Illinois and other cases, must be such as to create a peculiarly close relation between the public and those engaged in it, and raise implications of affirmative obligation on their part to be reasonable in dealing with the public.

In many countries the State has reserved to itself

normal rights over certain forms of private property. In some cases certain minerals are reserved to the Crown, which, if exploitation of them is leased, receives royalties and/or an annual rental—for example, in Queensland and the post-war constitutions of some Central European States, such as Roumania.[1] Even States like Great Britain and France have been driven to compel owners of mineral and mine-owners in the coal industry to submit to a certain limitation of their property rights. The 14th November, 1934, Oil Monopoly Law announced the Manchukuo Government's intention to abandon laissez-faire and control this industry.[2]

By the post-war land reforms of Central European States many large estates have been expropriated and the distribution thereof has involved definite limitations on the property allotted to individuals benefiting by the legislation. The 1935 Spanish land legislation modifying the 1932 reforms placed important restrictions upon land distributed.

In most countries the State reserves important rights in regard to watercourses, as is especially illustrated in the Concession Laws of Norway and Sweden. Even in the United States individual rights in regard to development of water power are restricted. Where railways are not State-owned, private undertakings

[1] An April, 1936, Nyasaland Protectorate (Native Trust Land) Order vests in the Secretary of State the entire property and control of all minerals in any Native Trust land, which are to be controlled by the Governor "for the use or common benefit . of the natives"

[2] With regard to oil and sub-soil, exploitation is forbidden in many cases to subjects of foreign countries In British Borneo, Nigeria, British Guiana, British Honduras and Trinidad lessees of Crown or alienated lands must be British subjects or a British-controlled company; while in the Northern Territory and Western Australia only British registered companies can undertake exploitation Aliens are excluded in British East Africa and concessions are granted in the Gold Coast Colony only to British subjects or British-controlled companies The British Government must approve concessions in the Federated Malay States and only British registered companies can undertake petroleum exploitation in Canada A 1920 Act in the U S A, on mining of coal, phosphate, oil, oil-shale, etc, said that citizens of a country not giving similar rights to U.S citizens could not have an interest in any lease acquired of Federal public lands A 1928 law allowed oil concessions in Chile only to Chilean subjects

usually exist by means of a right granted by the State on definite terms. The powers and functions of Central Banks as a rule are definitely limited by legislative enactments.[1] In some countries in recent years, banks may not add new capital, nor may new banks be formed, without Government sanction. A rigorous measure was adopted recently in Germany providing for the control of the money and capital markets. Stern public control of banks and of Stock Exchanges was introduced; and instructions were given for the allocation and investment of surplus profits, when a dividend of 6 per cent to 8 per cent on paid-up capital had been paid. A major achievement of President Roosevelt was his control of the Stock Exchanges by the 1934 Act.

State life and fire insurance services in several countries thrive on legislation giving compulsory powers, thus limiting the scope of private concerns. A Government department supervises funds and investments of life insurance companies, in Austria, and in Czechoslovakia (since 1934). In Italy private undertakings have been treated very harshly; and compulsory subscription occurs in several German States and Swiss Cantons, in some cases with a public monopoly.

In very many cases, apart from services mentioned, private companies are given permission to engage in operations by means of a concession for a definite number of years only, at the end of which time there occurs, failing extension, reversion to the State; and often the State can expropriate at stated intervals. This is true not only of Russia but of every State; and applies not only to what are normally looked upon as public utility services.

Again, apart from Russia, imports and exports are subjected to State supervision. Italy, Iran, and Poland

[1] The Canadian Central Bank and the New Zealand Reserve Bank are now being nationalised France proposes to follow a similar path. The Sixth Annual Report of the B.I.S describes legislative measures to control central banks, private banks, and the whole credit system, in various countries

(May, 1936, Decree and Regulations)[1] have introduced complete Government control of foreign trade. Denmark recently controlled imports and exports through a special Bureau. In recent years most European States have controlled and restricted not only movements of gold,[2] but also exchange and currency[3] activities and international trade in general. We are only too familiar with import and export restrictions and prohibitions, licences and quotas, compelling a resort to barter and compensation and clearing agreements all over the world.[4] The application of economic sanctions against Italy also has produced a wide measure of control of exports and imports.

Governments, at various times, have controlled export of capital. In the eighteenth century the Dutch Government stopped unauthorised foreign loan transactions to foreign governments and foreign corporations.

In Great Britain, Walpole prohibited unauthorised loans to foreign powers and again Mr. G. W. Edwards[5] says that from the end of the nineteenth century till the Great War Government intervention occurred, as is illustrated by Mr. E. M. Earle's[6] statements as to the failure of Iranian and Baghdad Railway loans in London; and by the British Blue Book's reference to the Foreign Office intervention in the case of the 1912 Crisp Loan. War-time restrictions on export of capital

[1] Applying also to the Free City of Danzig

[2] In November, 1935, the Italian Government established a monopoly for purchase abroad of raw gold and for licensing of imports of worked and half-finished gold, exercised for the Treasury by the National Institute for Foreign Exchange

[3] Cf for example· the activities of the British, American, Belgian and Canadian Exchange Equalisation Funds, Italy's control of currencies and that introduced by the Lithuanian Government in October, 1935, and by the Paraguayan Government (control by a Central Bank) in February, 1936. Poland created an Exchange Commission, on 27th April, 1936, to control exchange and currency, as a prelude to control of foreign trade

[4] By May, 1936, 60 per cent of Polish foreign trade was on a compensation, or barter basis the above Decree is forcing it all on to this basis.

[5] See *International Trade Finance*, London, 1925, and *Foreign Commercial Credits, A Study in the Financing of Foreign Trade*, New York, 1922.

[6] *Turkey, the Great Powers and the Bagdad Railway A Study in Imperialism*, London, 1923.

under the Defence of the Realm Act were continued till 1925.[1]

In France, according to Mr. Edwards, the Government also has taken action regarding exportation of capital. A 1785 official decree caused only Government bonds to be listed on the Paris Bourse, and 1875 and 1880 executive orders defined Government regulation of export of capital; while a 1907 law controlled security transactions by decreeing that there must be published in the official journal all announcements of issues, sales or introductions of securities; and further the unofficial security market, the Coulisse, was subject to Government regulation, which was exercised against the United States Steel Corporation, against new Italian securities to protect French interests affected by the life insurance monopoly, against a Baring Brothers Argentine loan in 1909, and a 1909 Bulgarian loan. Of course, French Governments intervened also to encourage capital exportation.

The German Government, says Mr. Edwards, influenced export of capital indirectly through a Commission of the Berlin Stock Exchange, and through the Reichsbank, closely controlled by the Government under the 1875 Act. Thus in 1887 an issue of Russian securities was stopped. The German Government also encouraged capital export, e.g. in the financing of the Baghdad Railway. The United States Government, according to Mr. Edwards, has applied control only to loans publicly offered. Before the war, Chinese loans were encouraged and disapproved by the Government. In 1922 an informal Government statement urged that the Department of State should be informed of all developments

[1] Normally, also, a certain measure of informal control may be exercised by the Treasury, which may forbid or discourage overseas capital issues. Moreover, the Bank of England exercises some control (see Macmillan Committee's Report—e g p 155—and evidence given to the Committee) Also see Mr Neville Chamberlain's statement on the embargo on foreign issues (in force by voluntary co-operation, since 1932), in the House of Commons on the 7th April, 1936, when he announced the appointment of a Committee to advise him in this matter.

in relation to the floating of foreign loans in the American market. From 1922 to 1928, says Mr. Edwards, nearly all of the $14,500 millions of such loans publicly offered in the United States were reviewed thus by the State Department.

The U.S. State Department is stated to have stopped issues of American loans of $30 million to the São Paulo Coffee Monopoly, and of $25 million to the German potash monopoly, and to have prevented British rubber-growing interests from borrowing in the American financial market.

In a U.S. Senate debate in June, 1930, Mr. Stimson said that both Article 2 of the Constitution and the revised Statutes justified the State Department in controlling the flotation of foreign loans in the U.S.[1]

During this economic crisis capital movements, and the remuneration thereof, have been subjected to control. To meet the Abyssinian crisis the Italian Government requisitioned and converted foreign securities bought by Italian nationals.[2]

Certain new services in many States have definitely been kept from the hands of private enterprise or have been controlled. For example, in air transport, private enterprise from the start was kept on a leash by the Governments.[3] A most instructive lesson in the State handling of private air interests which obstructed progress was given when, in 1933, the young M. Pierre Cot put the French State in active control of commercial aviation, in the face of very strong opposition by private vested interests.[4] There had been nepotism and wastefulness. M. Cot decided to institute a new State

[1] *The Times*, 28 2 31.

[2] Such action also occurred during the Great War in Britain in respect of holdings of U.S. securities

[3] Cf. "The Government could have left air transport to the play of economic forces It is only necessary to state this possibility to see that the risks are too great to be entertained" (*The Times*, 18 5 36· "Dominion of the Air. I. The Price of Speed", by G E. W. Humphery.)

[4] "Not merely in obedience to a doctrinaire passion for 'Nationalisation', but for solid economic and practical reasons"!! (*The Times*, Paris Correspondent, 25 8 33)

organism and to dissolve the companies which were wasting State subsidies. He told these companies to toe the line in ten days; and then said that if they did not do so within a further ten days he would put the air lines up for sale. The Government got its way! Generally speaking in Europe broadcasting is either owned by Governments or fully controlled by some Government organisation. "Almost everywhere there is a tendency to take broadcasting away from the hands of advertisers and run it solely in the interest of the public."[1] Television is regarded as essentially a field for Government enterprise.[2]

In Spain, a Government Committee for Regulating Production must approve all new industries and industries cannot be expanded or sites changed without sanction. In Italy, a 1933 Act makes any extension or improvement of industrial equipment subject to Government permission.[3] The Turkish Government in 1933 prevented

[1] Dr. A Frigon, Dr Sc, Member of Canadian Royal Commission on Radio Broadcasting, *Canadian Congress Journal*, January, 1930 Cf also Major Gladstone Murray's Report on Canadian Broadcasting, 1933, and *The Times* leader thereon, 23 8.33. "It cannot be left to uncontrolled private competition"

[2] Cf report of British (Selsdon) Television Committee, Cmd. 4793, published 31st January, 1935.

[3] See *Feuille d'Informations Corporatives*, Rome, 3rd March, 1933, p. 3 See also Atti Parlamentari dei Deputati Documento N 1526 A Relazione Della Commissione Sul Disegno Di Governo Primo Ministro Segretario Di Stato Ministro Delle Corporazione E Dell'Interno Di Concerto Coi Ministri Di Guzia E Gintyia, Della Finanze, Della Guerra, Della Marina, Dell'Aeronautica, Della Comunicazione, nella seduta del 23 novembre 1932—Anno XI —"Delega al Governo dei poteri per sottoporre ad autorizzazione i nuovi impicanti industriali". Presentata alla Presidenza il 1° dicembre 1932, Anno XI

In introducing this measure in the Chamber of Deputies the Head of the Italian Government, as Minister of Corporations, in the preamble, said that its object was "to give the Government the necessary powers to exercise supervision over new industrial equipment, with a view to bringing the development of such equipment into harmony with the general economic position" He declared that

"The State, which has to make considerable financial sacrifices to facilitate the reduction of over-developed industries, has a right to intervene in industry, as it already does through the inspection it exercises for the purposes of national defence, police, safety, hygiene, etc.

"The headlong race for new investment, based rather on banking considerations than on industrial ones, is injurious not only in the present, but for the

the setting up of further factories without its consent. A French Government Decree in August, 1935, stipulated that new beet sugar factories could only be set up by Government permission.[1] In 1934, the German Government placed an embargo on the expansion of productive capacity and extended the restriction on the opening of new shops. Moreover, new products could not be introduced without permission. By 1934 and 1935 Decrees under the Emergency Powers Act, the Czechoslovakian Government made the establishment of new factories conditional on Government permission in the artificial fats and glass industries. It is understood also that the Irish Free State Government licenses sites for all new factories.[2] In dealing with the tragic problem of the "depressed areas" the British Government has appointed special Commissioners who have sought to stimulate large-scale State action to promote industrial revival. The Government has announced the institution of trading estates, operating not for profit but as public service companies. It has been suggested that the Government should license sites for all new factories.

As will be seen in a later chapter,[3] various Governments have taken action to control the production and marketing of raw materials, such as cotton, rubber, coffee, jute, wheat and other grains, tobacco, tea, nitrates and sugar, involving severe restrictions on private enterprise; and, in the Economic Commission of the London

future also, in that it delays the revival of business The proposed measure seeks to take into account the general position of the consumers' market for the purposes of new industrial development.

"In the industrial field, as in the fields of banking, insurance and commerce, the principle of free enterprise must be limited by the superior conception of co-ordination in accordance with the general interest". (Parlamentari, 7.12.32; pp 7572–91 and 7595)

[1] *Journal Officiel*, 11.8 35.

[2] A Bulgarian October, 1935, Decree provided for Government restriction on opening new, or extending existing private establishments, this provision was extended to 11 industries by a March, 1936, decision The Barlow report to the Alberta Government, in 1936, advised restrictions on opening of new mines.

[3] See Vol II, Chap III.

Economic Conference, the French delegation proposed international action by Governments to regulate production and exchange of several such materials.

Another striking example of the growth of opinion in favour of limiting severely the right of private property and enterprise, is the increasing demand for the licensing of retail shops. In Great Britain, this movement is becoming powerful; for the distributive trades are a chaotic collection of isolated units, with enormous and unnecessary duplication of shops, and, therefore, a burden on the consumer. Demands have been or are being made by the National Federation of Meat Traders, the Hairdressers' Registration Council, the Parliamentary Committee of the National Federation of Grocers' Associations, and the Society of Motor Manufacturers, for registration and licensing.

Of very great significance are the acts of the rulers of Italy, Germany, Japan and the United States during recent years, to control private property and enterprise on a large scale.

A striking feature of the Fascist economic régime has been the gradual control and elimination of private enterprise. Signor Mussolini has declared that private enterprise and property must be subordinated to social necessity. He has handled private enterprise very roughly. For example, in his land reclamation and irrigation legislation landowners are allowed land only on condition that they exploit it well; otherwise public authorities take it over. In December, 1935, severe penalties were decreed for cornering or hoarding merchandise so as to provoke artificial price increases, and for importing, exporting and dealing in currencies.

The culmination of Signor Mussolini's efforts in the social and economic sphere occurred in 1934, when he elected the twenty-two corporations for controlling, rationalising, disciplining and organising Italian economic life on a scale, it was claimed, more complete than ever attempted by any country. Thus Signor Mussolini buried economic liberalism. Since the Abyssinian crisis

began detailed State control has been intensified, by such measures as these: establishment of a monopoly for purchases from abroad of certain raw materials, especially coal and the chief valuable metals (July, 1935); a plan for the better utilisation of national raw materials, a thorough control of purchase of raw materials and a strict organisation of productive programmes for important industries (October, 1935); control of production of, and trade in, foodstuffs (October, 1935); creation of an "Office for liquid fuels", to control purchases of petrol and other liquid fuels, sales and prices (November, 1935); State promotion of research into and exploitation of deposits of metallic minerals, including acquisition and direct operation of private concerns, and control of trade in and distribution of metallic ores; and State regulation of the extraction of light oils derived from coal (December, 1935–January, 1936); creation of a permanent State organ for controlling and organising foreign trade and foreign exchange (use of currencies) and regulation of supplies imported for the State, with special reference to basic products and raw materials (January, 1936); creation of a corporative committee to plan production of liquid fuel substitutes from Italian raw materials (February, 1936); and complete Government control of all forms of transport (land and sea), with powers of requisitioning (February, 1936). Italy has been given, more and more, a controlled economy.[1]

Likewise, in Germany, drastic measures have been taken to control private enterprise, involving, *inter alia*, the elimination of middlemen as might be necessary, price control, control of companies' dividends,[2] of electricity supply, of the production, marketing and distri-

[1] On 23rd March, 1936, Signor Mussolini announced further important measures of "economic planning" in the country's agricultural, commercial and credit structure Since 1930–1, he said, all large key industries for national defence had lost *de facto* the character of private undertakings—hence they must cease to have it *de jure*.

[2] Above a given level these must be invested in State securities and administered in trust for shareholders, to finance national emergency schemes

bution sides of several important industries which utilise raw materials imported from abroad, e.g. iron and steel, and of the export of important foodstuffs, and raw and semi-raw industrial materials. The Government has been driven to control almost every department of economic life. The freedom of the entrepreneur has practically gone. Private enterprise operates within limits set by the national interest. At the railway centenary celebrations at Nuremberg, December, 1935, Herr Hitler said that the community came before the individual.[1]

In recent years the Japanese Government has taken vigorous measures to control and direct industry. In December, 1935, the Japanese Cabinet's Study Committee published a far-reaching plan of economic recovery, involving State control of the main industries and State regulation of profits and interest rates. The military outburst by young Japanese officers in February, 1936, was a demonstration in favour of very stern measures to curb profit-making in finance, industry and trade and subordinate them to the national interest. It was interpreted by the "Asahi" as the condemnation by the Army of laissez-faire economics and a demand for an enlargement of the sphere of State control.[2] In 1933, also, the Manchukuo Government announced an elaborate economic programme, with State control as the guiding principle, embracing rationalisation or conduct by specially chartered corporations of all key industries and public utility undertakings.[3]

[1] On 8th October, 1935, the Berlin Chief of Police closed five butchers' shops for exceeding, repeatedly, fixed maximum prices in buying pork outside the city and gave a warning that he would take equally drastic action against anyone breaking price regulations (*The Times*, 9 10 35) A Jewish business was taken over and administered by the National-Socialist Party for making excess profits and paying low wages (*The Times*, 24.12.35)

[2] *The Times*, 9 3 36, 16 4 36 and 27 4.36 The leaders were "captivated by the doctrines of Marx and Mussolini", and aimed at "getting rid of capitalists and politicians and setting up a totalitarian Socialist State", at a "revolutionary Empire reorganised on the principles of State Socialism", by Army intervention They believe in a controlled economy.

[3] See *Manchester Guardian*, 2 3 33.

The Turkish Government is proceeding with a second five-year plan of State control of industry.[1]

In December, 1935, the Iran Government announced further steps in its methodical plan of State control of industry and economic organisation.

A recent report on economic conditions in Spain issued by the British Department of Overseas Trade says that

> a tendency to extend the functions of the State has become manifest. State supervision is being applied to railways, agricultural lands, and the Bank of Spain, and the State has turned its attention to the possibilities of controlling the telephone system and the Spanish Petroleum Monopoly Company [2]

The recently elected Government is proceeding farther in this direction.

By a Decree of 11th March, 1936, Paraguay became a "totalitarian State"; the first on the American Continent, involving "the same social transformations as those of contemporary European totalitarian States". All industries were placed under the Ministry of the Interior. Those producing commodities "directly affecting the necessities of the people" were nationalised. State banks and certain Ministries could monopolise export products and fix maximum prices. A similar system of State socialism was introduced in Bolivia on 17th May, 1936; as a revolt against "a few powerful persons" making fortunes by exploiting the country's natural resources while the common people bore the brunt of the Chaco War. The New Zealand Government has just begun a new era of State intervention in banking, marketing of primary products and transport.

A staggering attack on private property and private enterprise has been made in the United States, under President Roosevelt. A few years ago no one would have dreamed that this great industrial State would pass so quickly away from "rugged individualism" and

[1] On 18th May, 1936, the Secretary of the Republican People's Party announced that an amendment to the constitution would provide for a "Statist" or "State Socialist" State.

[2] *The Times*, 29.4.33.

laissez-faire, to a huge-scale attempt at collective economy and Government control of industry, and at ruthless control of private undertakings. The N.R.A. provided for the wholesale supervision, regulation and licensing of industry. There has been a comprehensive regulation of banking, control of the Stock Exchange Market through the Securities and Exchange Commission, with a frontal attack on speculation. The railways have been placed under a single Federal control and first steps taken to co-ordinate national transport. The attempt at national planning of agriculture, with Government control of production, processing, manufacturing and marketing of most staples and associated commodities, has been an extraordinary achievement when one considers how individualistic American farmers were. There has been large-scale limitation and control of many crops. A vast area of employment has been taken away from private enterprise, by the development of huge-scale public works. These include terrific efforts at public reconstruction of whole regions in rural areas, on the basis of planned collective economy, as in the outstanding case of the Tennessee Valley. In December, 1934, the President's National Resources (or Planning) Board submitted to him the greatest and most revolutionary programme of future economic development ever put forward in the U.S., involving proposals for expenditure of about £21,000 million on public works, spread over twenty to thirty years, and the creation of a permanent central board to co-ordinate the work of permanent public works, land, water and mineral Planning Boards.[1] Silver supplies have been nationalised; and important projects for Federal control of minerals like oil and coal have been introduced: the "Guffey" coal plan set up a miniature N.R.A. in the bituminous coal industry.

In the teeth of the most violent opposition of private, vested, electricity interests, the Government has undertaken a colossal task of producing electricity at cheap rates, in competition with private concerns, especially

[1] *The Times*, 18 12.34.

at Muscle Shoals, on the Tennessee River in Alabama, in the Tennessee Valley, at Boulder Canyon Dam, on the Colorado River, and on the Columbia River, with a great co-operative project, with Canada, on the River St. Lawrence.

The gold standard has been abandoned and the mechanism of a managed currency set up. The President took exceptional powers to inflate the currency; as a means of helping purchasing power and industry. The credit system has been thoroughly controlled. Food prices have been controlled. Moreover, a nation-wide practice of barter, with the elimination of private profit, by many millions of unemployed, has been organised, as a means of helping the unemployed to live and work.

Mr. Baruch, former head of the U.S. War Industries Board, and now a chief economic adviser to the U.S. President, said, three years ago,[1] that U.S. industry was embarking on a voyage as yet uncharted, to which war-time control afforded the only preceding analogy. He recalled that under that control the nation's industry had acted as a unit.

Vested interests have offered resistance; and the Supreme Court is endeavouring to undermine the President's efforts. A great struggle is taking place. It was reflected, for example, in the bitter resistance to his Utility Holding Bill to control and then eliminate these giant holding companies, managing public utilities such as the supply of gas and electricity, which, by their wealth and political influence and financial manipulations, harm the public and the consumer; and in the challenge to the Federal Government's right to "condemn" private property for compulsory purchase for slum clearance and cheap housing. Even *The Times*[2] says that there is an "inevitable demand for public control, if not indeed ownership", where such large private monopolies control necessary services or commodities.

[1] In a speech to the Brookings' Institution on 19th May, 1933. See *Industrial and Labour Information*, I.L.O. Weekly.

[2] 14.3.35.

President Roosevelt appears to be determined to win his battle with the Supreme Court, and to get Constitutional power to exercise the nation-wide Government control that the development of modern industry demands. He faces resolutely the great problem, that the U.S. Constitution has made the theoretical position of owners of property in the U.S. far stronger than that in any other country, with the result that "the U.S. voter is omnipotent only within a limited area, his power to make what laws he pleases being rigidly conditioned by the rule that he must not trench upon property rights".[1] He finds growing support for his refusal to tolerate a position in which the Federal Government has authority over industry and trade only when it becomes inter-State or foreign trade. To allow forty-eight States to exercise isolated control of economic undertakings and conditions that may have nation-wide consequences, particularly through lack of co-ordination, is unthinkable. He seems resolved to go boldly on, whatever the hostility of financiers, vested interests and orthodox economists, bring about a momentous change in the relations between property and industry, and abolish the "fallacious idea" of the banks and business, on the one hand, and the Government on the other, as separate and almost equally sovereign powers.[2]

The Supreme Court declared unconstitutional the National Recovery Administration (N.R.A.), ruling that the Federal Authority had no jurisdiction over the great national industries, but a modified skeleton form of this reform was preserved. It ruled that the oil production control provisions of the Recovery Act were invalid. Then it declared unconstitutional the Agricultural Adjustment Administration (A.A.A.)[3] regulating the control of

[1] *The Times*, Washington Correspondent, 8.10.35.

[2] See *The Times*, Washington Correspondent, 8 11 34.

[3] Reading the majority decision on 6th January, 1936, Mr Justice Roberts said that if such farm legislation were valid it would be possible for Congress "to regulate industry in its most meticulous forms" . . . "Congress might redistribute the entire industrial population if this Act were upheld."

wheat, tobacco, potatoes, rice, etc.; but an alternative plan of agricultural aid and control has been prepared, envisaging the utilisation of powers for soil conservation for a form of crop control. The Supreme Court, however, approved the Tennessee Valley plan as an exercise of Federal Government authority to aid navigation and prepare for war.[1]

France, too, recently resorted to an increased measure of Government interference with private enterprise. By a host of Decrees introduced in August and November, 1935, the French Government "has encroached further on the field of private enterprise than any peace-time Government before".[2] For example, Government Commissioners were appointed to control war industries, from the administrative, financial and book-keeping point of view. All companies with State support were put under close State control, with a State representative on boards of directors. Inventions could be expropriated. The silk industry was controlled. A Committee was created to co-ordinate transport services. Moreover, the French (right-wing) "Leagues" demand the emancipation of the economic and social system from plutocratic control and the recognition that the individual citizen's well-being matters more than financial profit.[3]

[1] On 18th May, 1936, the Supreme Court invalidated the Guffey Bituminous Coal Act, providing for a miniature N R A in this industry, mainly because it sought to regulate labour, and not merely prices This affected the producing of coal (a private activity), this being "an intolerable and unconstitutional interference with personal liberty to private property"—the regulation of the production of coal, however, was a Governmental function. Moreover, it held that Federal regulatory power ceases when inter-State commercial intercourse ends, and does not attach until such intercourse begins A District Court of Appeal, on that date, also invalidated the Resettlement Administration and the Emergency Relief Act, 1935. See also the Supreme Court's attempt to clip the wings of the Securities and Exchange Commission, in its decision, on 6th April, 1936, in the Edward Jones case.

[2] *The Times*, Paris Correspondent, 12.8 35. In the issue of this paper on 10 8 35, this Correspondent said "An aspect of M Laval's home policy which must sooner or later be weighed in the scales of experience is the wholesale intervention of the State in the mechanism of private commerce which it portends . M Laval is driven by the force of circumstances to vie with the Socialists in State intervention "

[3] The Front Populaire is committed to an attack on the "200 private families" dominating the banking and financial system, by its plan for nationalising the Bank of France

Certain States, Bulgaria, China [1] and Germany, have even gone to the length of introducing compulsory labour in peace-time. This is a far greater interference with individual property.[2]

There is a growing consensus of opinion in most of the important States that uncontrolled private enterprise is a menace to the economic health of the community. Listen to Professor Tugwell, head of the U.S. delegation to the Twelfth General Assembly of the International Institute of Agriculture, 1934:

> We are living through the death of one age and the birth of another. . . . The machinery of production and distribution evolved by business men has proved to work badly, so society as a whole is seeking in self-defence to impose more and more general requirements for efficiency. . . . We in the U.S. think that a good beginning has been made by attacking the system of unco-ordinated enterprise which has extended itself in privileged and embryonic monopolies extending through the fields of commerce, finance and industry, and resented and evaded control. All western countries are confronted with the same issues and are experimenting with control of industry.[3]

Significant statements were made at a meeting of the American Economic Association, the American Statistical Association, the American Political Science Association and the American Sociological Society, in Chicago in December, 1933. One Professor compared the Italian Fascist system, the German National Socialist system and the Russian Bolshevist system with the U.S. "New Deal". He prophesied a continuation of U.S. Government intervention in economic matters and said the nation must expect "our Government to control, regulate or take over those functions which it becomes obvious cannot be left to manage themselves". "Like Italy, Germany and Russia, we are being forced by the inevitable

[1] General Chiang Kai-Shek's recent economic reconstruction scheme provided for comprehensive public service

[2] A 26th March, 1936, Government Bill, in Czechoslovakia, provided for conscription of all able-bodied men between 17 and 60 for agricultural or industrial work, in the event of mobilisation or internal disorders

[3] *The Times*, 25 10 34.

pressure of events away from the system of laissez-faire."[1] Another Professor agreed that there "would probably be in this country a union of industry and government". "It is becoming clearer and clearer that some kind of super-organisation is required . . . its authority might be irksome to subsidiary units."[2]

Let President Roosevelt speak. In an important message to Congress on 4th January, 1935, he spoke of

> movement toward a new order, in a time of world-wide change, creating problems for which the masters of the old practice and theory were unprepared . We have not weeded out the over-privileged, and we have not lifted up the under-privileged . . . Americans must forswear that conception of acquisition of wealth which through excessive profits creates undue private power over private affairs, and to our misfortune, over public affairs as well. . We must put behind industrial recovery the impulse of large expenditures in Government undertakings.[3]

He said that he proposed "to eliminate special privilege in the control of the old economic and social structure by a numerically very small but very powerful group of individuals so set in authority that they dominated business and banking and government itself".[4] Again, he said, in August, 1934,[5] that

> the struggle to protect the nation's resources and the public interest against private exploitation is merely beginning . . The preservation of national parks has necessitated a long and fierce fight against many private interests which were entrenched in political and economic power. . . . The country is at the threshold of even more important a battle to save our resources of agriculture and industry against the selfishness of individuals.[6]

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[1] Prof Calvin Hoover, *The Times*, 28 12 33 [2] *The Times*, Ibid.

[3] *The Times*, 5 1.35 In commenting on his speech its Washington Correspondent said "he would not leave business a law unto itself and would correct the dangerous discontinuity between industrialism and government".

[4] *On our Way*, Faber & Faber, May, 1934.

[5] In a broadcast address from a lodge in the Glacier Park, high up in the Rockies (See *The Times*, 7 8 34)

[6] *The Times*, Washington Correspondent, 10 8.34, said that the President appeared "to have the ambition to have his name go down in American history as that of the master builder of a new era in which the principle of state Socialism is applied to the control and utilisation of natural resources". In

The end of laissez-faire has been sounded in Canāda. Mr. Bennett, then Prime Minister, in January, 1935, said, in a broadcast address on the defects of the capitalist system:[1] "Laissez-faire is entirely unsuited to present conditions. . . . I stand for reform . . . which means

a message to Congress in the middle of 1935, the President said that the holding companies gave "a few corporate insiders unwarranted and intolerable powers over other people's money", constituting "private empires within the nation", and promoting the growth of "a private socialism of concentrated private power" (*The Times*, 18 6 35, leading article, quoted). Addressing farmers in Chicago, on 9th December, 1935, he assailed "political profiteers" and denounced the "fantastic variation in the prices of crops which had made the farmer a speculator against his will". Again, in his Message to the Joint Session of the two Houses of Congress, on 3rd January, 1936, he said that since the World War, the country had witnessed the "domination of government by financial and industrial groups, numerically small but politically dominant", but now "we have returned the control of Federal Government to the City of Washington". He challenged those who "seek the restoration of their selfish power", the instilling of the principle of "autocracy towards neighbours, towards stockholders, towards consumers", whose weapon was "a synthetic, manufactured poisonous fear that is being spread subtly" In a powerful speech at an Andrew Jackson Day dinner, on 8th January, 1936, he said that, like Jackson, he fought against "haughty and sterile intellectualism", "musty reaction" and "hollow and outward traditionalism". "Our frontiers to-day are economic, not geographic Our enemies are the forces of privilege and greed within our own borders"

(Moreover, significantly enough, on 29th December, 1935, Senator Borah said that he wanted to "liberalise" the Republican Party, to use it as a weapon to destroy monopoly, to break the hold of entrenched property upon the agencies of the State, and to reinvigorate social as distinct from State power) Again, on 25th April, 1936, the President condemned the "decade of debauch, of group selfishness", which caused the 1929 debâcle Cf. also *The Times*, Washington Correspondent's article, "Leap Year in America One-Man Politics," 12 5 36; and *The Times*, leading article thereon Reference is made to Professor H. Sumpson's ascription to Government corruption and incompetence of the development between 1920 and 1930 of "vicious types of business organisation" and the growth of "a deep penumbra of racketeering practices". The President has sought to adjust the relations between private property and the public welfare and to discover the place of Government ownership in the economic sphere

[1] *Manchester Guardian*, 4 1.35, and *The Times*, 5 1.35 Cf also *The Times*, leading article, 19 1 35, commenting on Mr Bennett's efforts It drew special attention to his moves to end the "reckless exploitation of human resources" and the "trafficking in the health and happiness of Canadian citizens"; and to provide, through the Central Bank, machinery for the "more equitable operation of the country's economic resources", and for "seeing that the supply of credit available does not depend solely upon the working of competitive business forces". It said: "Reform had to come, and, since free competition and the open market had lost their place, it could come only by Government control and regulation . . . The issues raised cut clean across Canadian party lines."

Government intervention, Government control and regulation, the end of laissez-faire. . . ."; and again, "What was called the crash of 1929 was a crash of the whole system. Therefore any attempt to operate capitalism under the old conditions is doomed to futility." The programme of Mr. Stevens' Reconstruction Party, at the 1935 Elections, included monetary and credit control, nationalisation of the Bank of Canada, market control for agricultural products, national development of mineral fields, national housing schemes, price control, and creation of a Federal Trade and Industry Commission with real authority to regulate business.

In view of all these facts it is clear that the right to private property is a very limited one, in practice and in fact to-day; and is derived largely from the State. The State has the fundamental right to dictate to the fullest extent the rights and the use of private property, because it is the basic activities of public authorities in performing various services which give value and security to it. Apart from the obvious surplus value in land arising from social action, it is clear that the values of all forms of property depend upon the proper functioning of the credit and banking system, which, in turn, depends upon the "community as a going concern", and upon the various governmental acts that civilised society enjoys.

The more speedily the people grasp the significance of these truths, as of these facts, the more rapidly will public opinion demand drastic collective action in tackling the twin evils of poverty and war.

Outside the ranks of the orthodox and organised socialist movement, large sections of public opinion are coming to realise that the old laissez-faire régime is doomed,[1] is powerless to adjust itself automatically,[2] and

[1] Cf *The Times*, 8.12 32 "Laissez-faire Doomed. The Rise of a New Economy Planning Ahead in Industry" See also W Sombart: *Die Zukunft des Kapitalismus*, Berlin, 1932; and Roderich von Ungern Sternberg· *Die Planning als Ordnungs Princip der deutschen Industriewirtschaft*, Stuttgart, 1932, and Soule, G *Planned Society*, New York, 1932.

[2] Cf M. Alberto de Stefani, addressing the "First International Study Conference on the State and Economic Life, with special reference to Inter-

that the first need in the economic sphere for this century is a new philosophy to replace that of laissez-faire.[1] Nations have lost the advantages of the old system of free competition without getting the advantages of the new one of deliberate planning.[2]

The application of science to industry in the sphere of production calls for nothing less than a corresponding use of the scientific method in developing social control and conscious organisation of the economic system, which, in the long run, must be international to correspond with the area of the economic system itself.[3]

That body of interdependent productive and distributive processes which forms our economic system can no longer be left to the waste and inhumanity of chance and force. Man must without delay bring his powers of thought and reason into the regulation of his economic life. He could do so, if he had the will, with surprising consequences.[4]

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national, Economic and Political Relations", held at Milan, 23rd–27th May, 1932, under the auspices of the International Institute of Intellectual Co-operation in collaboration with the Italian National Committee of Intellectual Co-operation: report published, Paris, 1932

[1] Cf Sir Basil Blackett, in *The World's Economic Crisis* (by Sir Arthur Salter, Sir Josiah Stamp, J M Keynes, Sir Basil Blackett, Henry Clay, and Sir William Beveridge), Halley Stewart Lecture, 1931, London, 1932.

[2] Cf Sir Arthur Salter in *The World's Economic Crisis*

[3] Cf H S Person "Scientific Management and Economic Planning", *Bulletin of the Taylor Society*, New York, December, 1932, Sir Arthur Salter: "Burge Memorial Lecture", *Manchester Guardian*, 1 7 32, delivered on 30th June, 1932, at Middle Temple Hall, London, on "Political Aspects of the World Depression" and *Recovery*, London, 1932, H G Wells, *After Democracy*, London, 1932, J A. Hobson *From Capitalism to Socialism*, London, 1932, and *Wealth and Life*, London, 1929; Sir William Beveridge, Sir Arthur Salter and Sir Basil Blackett, in *The World's Economic Crisis* (by Sir Basil Blackett, Sir William Beveridge, Sir Arthur Salter, Sir Josiah Stamp, Henry Clay and J M Keynes), Halley Stewart Lecture, 1931, London, 1932; International Federation of Trade Unions General Council, Berne meeting, 16th–18th March, 1932, resolution adopted on the world crisis (quoted *I L I*, Vol. XLII, No 1, 4.4 32, pp. 27–8); Special Economic Conference convened by the International Federation of Trade Unions General Council, attended by workers' representatives attending the International Labour Conference, representatives of affiliated national organisations and representatives of International Trade Secretariats held at Geneva, 16th–17th April, 1932, Manifesto published dealing with the world crisis and unemployment (quoted in British Trades Union Congress, *64th Annual Report*, 1932, pp. 126–7).

[4] J. A. Hobson "The Struggle for Recovery III —Technocracy The Over-Saving of the Rich. Economic Planning," *Manchester Guardian*, 9 2 33.

As a writer of a main article in *The Times*[1] said recently: "Many of us consider advocates of laissez-faire to be themselves the most dangerous people—more dangerous than Socialists or Fascists."

[1] 22 7 35

CHAPTER III

WAR-TIME GOVERNMENT CONTROL[1]

DURING the Great War the various Governments were impelled to resort to the control of industry to an unparalleled degree. Many invaluable economic lessons

[1] See, *inter alia*· *List of books, concerning the Great War*, by the late Sir G. W. Prothero, K B E , 1923, pp 303–12; *Encyclopædia Britannica*, Supplement, 1926 Sections on "Inter-Allied Control", "Industry" and "Raw materials"; and

Great Britain

British Food Control, London, 1928, by Sir W. H Beveridge; *Experiments in State Control at the War Office and the Ministry of Food*, Oxford, 1924, by E M H Lloyd; *The Cotton Control Board*, Oxford, 1922, by H D Henderson, *Allied Shipping Control an Experiment in International Administration*, Oxford, 1921, by Sir Arthur Salter, *Report of the War Cabinet, 1917*, Cmd 9005; *Food Production in War*, Oxford, 1923, by T H Middleton

Austria-Hungary

War Government in Austria, New Haven, 1929, by J Redlich, *Food Control and Agriculture in Austria during the War*, Vienna, 1926, various studies directed by H Lowenfeld-Russ, *Industrial Control in Austria during the War*, Vienna, 1932, various studies directed by R Riedl.

Belgium

L'Action du Gouvernement belge en matière économique pendant la guerre, Paris and New Haven, 1927, by F van Langenhove

France

Rationing and Food Control, Paris and New Haven, 1925, by P Pinot, *French Railroads during the War*, Paris and New Haven, 1926, by M. Peschaud, *Merchant Shipping during the War*, 1927, by H Cangardel, *Agriculture and Food Supply in France during the War*, New Haven, 1927, by Augé-Laribé, M , and Pinot, P

Germany

Inquiry into Production (I L O., Geneva).

Netherlands

The Netherlands and the World War, New Haven, 1928, by various authors· Vol II.

United States

How America went to War, New Haven, 1921, 6 vols , by Crowell, B , and Wilson, R. F.; *American Industry in the War, a Report of the War Industries Board*, 1921, by Baruch, B M ; *American Food in the World War and Recon-*

may be learned from a study of this Government intervention in industry, especially in view of the measures now being taken in Great Britain to prepare for the organisation of industry on a war basis by the imposition of a measure of peace-time Government control. Let us glance at the experience of several countries.

(1) Belgium, France, Great Britain, Russia and the United States of America

Belgium

On the outbreak of War the Government took urgent emergency measures covering the whole range of economic life; and, in particular, food supplies and financial measures. Soon it was forced to go into exile. It formed certain emergency organisations. For example it founded, in 1915, in London, a National Economic Council, to prepare for post-war reconstruction. An interesting account of the Government's economic activity during the war is contained in Professor Langenhove's book: *L'Action du Gouvernement belge en matière économique pendant la guerre.*

France [1]

M. Clementel, Minister of Commerce, Industry, etc., on 28th June, 1918, in the French Chamber of Deputies outlined the measures taken to assure the supply of raw materials.

Soon after the outbreak of war, there was created, under the authority of the Ministry of Commerce, Industry, etc., a service charged with the duty of controlling the

struction Period, 1931, by Surface, F M., and Bland, R. L.; *Government Control of the Sugar Industry in the U.S*, New York, 1920, by Bernhardt, J.; *The Grain Trade During the World War*, New York, 1928, by Surface, F. M.; *American Pork Production in the World War*, Chicago and New York, 1926, by Surface, F. M

For other countries, see list of volumes in the Economic and Social History of the World War Series, under the auspices of the Carnegie Endowment for International Peace.

[1] See especially: *Agriculture and Food Supply in France during the War*, New Haven, 1927, by Augé-Laribé, M., and Pinot, P.

importation and distribution of essential food supplies and raw materials, with one section for each. Under the 1877 law it exercised the right of requisition of grain. A monopoly of purchase was set up, with the suppression of wheat importers and factors. It was found necessary to requisition the merchant marine; depart from free exchange; get regular credits from allies; and set up inter-ministerial committees, by the side of the Ministry, to deal with a product, or a group of products, centralising needs and fixing their order of priority, arranging the products to be manufactured according to available resources, determining in consultation with the trade unions or industrial groups under the Ministry, maximum prices, and, generally, regulating sale and consumption. Attached to the Ministerial Committees were about fourteen consortiums, operating the financial functions of private purchases, through a single buyer or through centralisation and transmission of demands for purchases, distributing imported materials under State control, and assessing prices.

Following the requisitioning of wheat, and then of cattle and wine for military purposes,[1] an October, 1915, Act authorised Prefects to requisition wheat and flour for civilian supplies. This law also fixed maximum prices for wheat and flour. Later the Government fixed the prices of other agricultural products, and of merchandise (in 1916). This Act, 20th April, 1916, authorised the control, during hostilities, of the price of sugar, coffee, mineral oil and petrol, potatoes, milk, margarine, edible fats and oils, dried vegetables, fertilisers, sulphate of copper and sulphur. Prices of wheat and flour and of bread and meat were regulated by previous legislation. Prices were fixed by Decree, by Prefects or by mayors. Trade in cereals became free again in May, 1921. The Government interfered with agricultural production in many ways, by inspection and control; requiring declarations of areas sown, quantities reaped and stocks held, etc. Various committees were set up around the Minis-

[1] There was a Central Requisitioning Commission

try of Agriculture to link producers and the State which had taken control of most of the means of production. The Ministry of War formed Consultative Economic Committees in various regions, with sub-committees for smaller areas. Permanent Committees of Agriculturists were set up in each commune, to organise agricultural work and get all land tilled. The production and distribution of fertilisers to agriculturists were controlled by the Government. The supply, sale and consumption of foodstuffs were controlled by the State. Certain food supplies (bread and sugar) were rationed. There was a State monopoly of purchase and distribution of cereals and sugar. A 1918 Act gave the Government complete power to regulate by decree production, manufacture, circulation, sale, possession and consumption of foodstuffs, for man and beast, and of combustibles; and authorised the Government to requisition by decree all the mercantile marine. This, and other, similar, previous laws remained in operation till August, 1920. Imports and exports were controlled, with a State monopoly of imports. A special Food Department was created, becoming, in 1917, the Ministry of Food. The Government, in aiming at securing for each consumer his normal ration of (*a*) essential or (*b*) substitute foodstuffs, controlled, in various ways, the following: (*a*) cereals convertible into bread; meat; sugar; milk, milk products and eggs; wine, oils and fats; and (*b*) potatoes, dried vegetables, saccharine, beer and cider; and also these products manufactured from essential foodstuffs: pastry, biscuits; farinaceous pastes (e.g. macaroni); sweetmeats, chocolate; and cheese.

Government administrative intervention was in the form of Government regulation of production, sale and consumption of certain commodities; Government operation alongside the trade; or Government replacing of the trade. Until the above-mentioned general 1918 Act, Government action rested on special Acts or on general regulatory powers under administrative law.

The cereals monopoly dated from 1917 to 1920. A Central Cereals Office and a Central Milling and Baking

Committee were created at the Food Ministry, and a Cereals Office in each Department. These were responsible for supervising grain purchases, keeping millers and bakers supplied and controlling manufacture and sale of bread. Distribution occurred through Permanent Bureaux created in each Cereals Office. There was a State import monopoly for cereals, operating from 1915 to 1916, and, after the Allied Wheat Executive Agreement ended, from 1919 to 1921. The Food Department formed its own fleet. It made contracts with the Hudson Bay Company and its subsidiary Bay Line Steamships Ltd., which managed the fleet for the Government. 1920–1 was a period of de-control.

The Sugar Monopoly lasted from 1916 to 1919. The home crop was purchased and there was a State import monopoly, of raw and refined sugar. The British Royal Sugar Commission made purchases abroad for both countries. 1919–21 was a period of de-control.

Where it did not go so far as to establish a monopoly of output, of coal and mineral oil, the State closely controlled production, sale and price. The Government centralised in the Timber Office purchase and distribution of felled timber.

The aviation and railways industries came largely under the War Ministry and also transport came under the Ministry of Public Works. With regard to shipping, requisitioning was introduced, and national control over all French ships ultimately occurred; in relation to the Government control over the whole import system in 1917, through a committee presided over by the Minister of Commerce.

Throughout the war the Government aimed at protecting consumers from price inflation. The price of bread was kept practically fixed.

Great Britain

"The idea that industry would have to be deliberately organised for war production encountered subconscious

resistance in a Government committed to the doctrine of free trade and individualism."[1]

Extent and Nature of State Control

The vast majority of the people are now working directly or indirectly on public service. If they are not in the Army, the Navy or the Civil Service, they are growing food, or making munitions, or engaged in the work of organising, transporting or distributing the national supplies. On the other hand the State has taken control for the period of the war over certain national industries, such as the railways, shipping, coal and iron industries, and the great majority of the engineering businesses It has also made itself responsible for the securing of adequate quantities of certain staple commodities and services, such as food, coal, timber and other raw materials, railroad and sea transportation, and for distributing the available supplies justly as between individual and individual in the national interest. The Government has further had to regulate prices and prevent profiteering It has done so partly by controlling freights, fixing maximum prices to the home producer, and regulating wholesale and retail charges, and partly by its monopoly of imported supplies. The information which the Government has obtained as to sources of supply, consumption and cost of production, and the relations it has entered into with other Governments as to the mutual purchase of essential products which they jointly control have, for the first time, brought within the sphere of practical politics the possibility of fixing relatively stable world prices for fundamental staples. Thus the war, and especially the year 1917, has brought about a transformation of the social and administrative structure of the State, much of which is bound to be permanent.[2]

These were the hopes for future economic stability and justice raised by war promises of British statesmen. Why did the British people not insist that they were realised? These economic principles alone can save the country and the world.

From 1914 the community became by far the greatest employer of labour. It assumed control for the period

[1] E M H. Lloyd *Experiments in State Control at the War Office and the Ministry of Food*, 1924, p. 22.

[2] *The War Cabinet, Report for the Year 1917*, Cmd. 9005, 1918, pp. xv and xvi

of the war over a great number of the larger private undertakings. It limited profits by imposing an 80 per cent excess profits tax; and intervened to stop profiteering in essential requirements. During the war the Central Government augmented the number of its employees by 233,000. The extent of Government intervention in industrial control is indicated in the following extract from the Official Report of the War Cabinet for 1917:

> In common with all belligerents, Allied or enemy, this country has, since 1914, moved steadily along the road of an ever-extending State control of industry. . . . Section after section of industry was taken over and in wages, prices and profits, from raw material to finished product, was placed under Government control. The process of extending State control, taking over more works and applying it to an always widening range of products continued unbroken right up to the end of 1916 . . . Industries essential to war needs had been taken under Government control, while industries serving the civil population were still left in private hands. In the same way 1917 may be described as the year in which State control was extended until it covered not only national activities directly affecting the military effort but every section of industry—production, transport and manufacture.[1]

Origins of, and First Steps in National Control

When the war broke out the War Office had to see that adequate supplies were forthcoming for immediate requirements. It was driven to abandon the system of competitive tendering, to recognise and co-operate with Trade Associations, introduce collective agreements extending over a whole trade and substitute a general uniform price over a given period for a host of individual contracts at different prices.[2]

In February, 1916, the Raw Materials Section of the Army Contracts Department was formed to be a bureau of economic intelligence and research on the supply of these materials and to prepare schemes for controlling and safeguarding supplies as might be necessary.

[1] Cmd. 9005, 1918, p 130 [2] Lloyd, op cit., pp. 33–4.

Various Aspects of Control

(i) *Munitions*

British Ministers at the outbreak of war refused at first to admit the necessity for State intervention in industry. Traditional liberalism was supported in this attitude by the soldiers' conservative professional outlook. The War Office was accustomed to rely on private enterprise and the law of supply and demand. In October, 1914, it turned down a proposal that the Government should take over the big armament firms and make them a branch of the public service. Not till May, 1915, was a Munitions Ministry formed; by which time the Government realised the folly of leaving the supply of munitions to the operation of the above economic law, under which it was supposed that adequate supplies would be forthcoming if private contractors were allowed freely to produce more according as prices payable by the Government mounted higher. It became necessary to resort to national organisation and central control as opposed to laissez-faire, to building of national factories, to Government monopoly and distribution of raw materials at fixed prices, and to force manufacturers to produce at prices based on costs of production.

The Ministry of Munitions' work in providing army supplies covered many trades and industries, mainly engineering and metal industries. The Army Contracts' Department of the War Office dealt chiefly with the food trades and the textile and leather industries. The former requisitioned almost all the engineering industry's output and used practically all available iron and steel, suppressing private trade and not dealing with civilian requirements. The War Office intervention in the above-mentioned industries could not ignore civilian needs and pointed the way to control of necessities of life for civilians, to the Standard Clothing and War-Time Boots Schemes and to the formation of the Ministry of Food.[1]

[1] See Lloyd, op cit., pp. 22–5. He says that the work of the War Office in feeding and clothing five million men in the Army was a useful preparation

In 1915, profits of armaments firms were controlled.

In May, 1917, the Ministry of Munitions took over control of manufacture, use and distribution of sulphuric acid and established complete control over dealing and prices. It also controlled the repair of all sulphuric acid plant. The Ministry had to provide increasing supplies of important metals like steel and to allocate them among rival users in the way directed by national policy so as to maximise efficient technical utilisation and develop the fullest economies in consumption. It had to ration industry.

Its system of priority regulation, covering a large number of trades and industries, enabled machinery and raw materials to be distributed according to the relative urgency of work. Uniformity of restriction was reached throughout the Commonwealth through local priority authorities in every British possession. The general laws of priority were laid down by a War Priority Committee of the Cabinet acting as a co-ordinating authority between the different Government Departments and deciding policy in regard to allocation of available resources. Strict official regulation was applied to distribution and consumption of industrial metals. Market prices of iron and steel were regulated from July, 1916, when official maxima were laid down. Steel manufacture was brought under control in November, 1916. Iron ore mines were taken over by the Ministry in September, 1917, thus giving full control of output. Steel was allocated to rolling mills to maximise output and distribute orders economically. At the end of 1916, copper manufacturers had to make returns of output. In January, 1917, the Ministry could take over stocks, becoming sole importer, through restrictions on importation. The Ministry thus had full control of all dealings in the metal. Brass was

for the task of feeding and clothing the remaining thirty-five million people at home From June, 1915, to March, 1919, the total expenditure of the Ministry of Munitions was nearly £2,000 million; and in November, 1918, there was a staff of 65,142 in the Army Contracts Department instead of the 20 clerks buying munitions in August, 1914.

brought under direct control and its use restricted to work of national importance.

In March, 1917, dealings in spelter were brought under control and its use restricted to approved purposes. In February, 1917, the use, sale and purchase of lead were brought under control.

Dealings in aluminium were brought under control by licence in December, 1916. In February, 1917, supplies of scrap and swarf were taken over, a system of priority rationing devised to stimulate the substitution of other metals for aluminium.

In February, 1917, the Ministry formed a special organisation to supervise the collection of all scrap metal under Government departments' control.

Towards the end of 1916, a Central Clearing House was formed to collect details of idle engineering capacity, and study the employment of all used machinery to maximise its use; and secure the most efficient distribution and use of all machine tools and industrial plants. A system of costing investigation prevented excessive charges and records of costs of new national factories were kept.

(ii) *Transport*

(*a*) SHIPPING

On the outbreak of war the Government modified the normal freight system by using its power of requisition; taking tonnage needed for naval and military requirements, compulsorily, at rates fixed and kept stable with no regard to the open market. Gradually it was found that the general shipping problem could not be solved by the ordinary method of the freight market, plus prohibition of imports. In November, 1915, the Board of Trade appointed a temporary Requisitioning (Carriage of Foodstuffs) Committee to assure wheat supplies; and, together with the Transport Department of the Admiralty, it forced (under power of requisition) owners of specified vessels to charter them for carrying grain. In the same month it appointed a temporary Ship Licensing Committee to control the use of unregistered British ships by

licence, refusing licences to ships doing unnecessary or comparatively unimportant work. In December, 1915, the Port and Transit Executive was formed, of official, shipping and port experts, by the Admiralty, to improve port conditions, e.g. by arranging for pooling berths; improving the port railway service, etc.

A Shipping Control Committee was formed on 27th January, 1916, to supervise shipping problems. In December, 1916, the Ministry of Shipping, headed by a Shipping Controller, was created, to secure the most effective utilisation of the mercantile fleet for allied needs.

At the end of 1916, barely one-half of the whole tonnage was requisitioned by the State and mainly used on military and naval services. During 1917, practically all the rest of the British ocean-going mercantile marine was requisitioned at Blue Book rates and organised as a national war service. Dominion and neutral shipping was utilised. In 1916 and 1917, imports were cut down. By the end of 1917, almost all cargo space was reserved for goods carried directly or indirectly on Government account, comprising essential foodstuffs, raw materials needed for manufacturing national necessities and military needs or munitions of war.

Before requisitioning occurred, shipowners' profits alarmed the public: freights rushing up. There was a huge difference between Blue Book rates paid for Government cargoes and freights paid for commercial cargoes. A Tonnage Priority Committee was formed, on which each Department of State concerned with national supplies was represented, to consider demands, estimate the amount of cargo that could be carried and co-ordinate requirements to get the best distribution of carrying capacity.

A separate branch of the Ministry controlled coasting trade, mainly control or oversight of 1,200 vessels.

First neutral shipping was controlled by bunker pressure: conditions were attached to the supply of bunker coal from bunker stations. In 1916, a Chartering Committee, representing France, Italy and Great Britain, was

formed, to enter the market for neutral shipping as a single competitor. In 1917 and 1918, other methods were used. Control of food and raw materials was used for bargaining with neutrals. Finally, the Allies resorted to compulsory requisitioning, without the consent of the owners or the Government, on payment of compensation.

An agreement of 3rd December, 1916, between the French and British Governments provided for a certain amount of co-operation in shipping; e.g. neutral steamers were to be chartered through an Inter-Allied Bureau in London. A 1917 Inter-Allied Shipping Committee, representing France, Italy and Great Britain, proved unable to arrange a satisfactory distribution of tonnage.

By the end of 1917, Great Britain, France, Italy and the United States had achieved national control of shipping and supplies, which alone made possible the various forms of international control.

It was found, by the end of 1917, that national control had need of supplementary international action. The national problem had been controlled by reducing within the limits of available transport capacity (by the Milner Cabinet Committee representing the Supply Departments and the Shipping Ministry) the big block programmes of the War Office, Ministry of Munitions, Ministry of Food and Board of Trade—chiefly munitions and food programmes. Hence, national import organisations were given an international character. The separate national controls were co-ordinated through international committees and the Shipping authorities through a Shipping Council and Executive. There were formed Allied programme committees representing the various national controls for every important commodity, e.g. flax, hemp and jute, hides, meat and fats, nitrates, oils and seeds, paper, sugar, wheat and wool. Their demands were submitted to an Allied Maritime Transport Council and its Executive.

An agreement, between France, Great Britain and Italy, on 3rd November, 1917, had in view a pooling of tonnage for all purposes, in regard to its use, but not

in regard to its management. In November, 1917, a conference of the French, British, Italian and United States Governments was held in Paris. This appointed, *inter alia*, a "Special Committee for Maritime Transport and General Imports"; within which it was decided to arrange further co-operation along the above lines—a plan for creating a pool of tonnage, managed by an International Board armed with complete executive power, was rejected.[1] The Conference agreed to these proposals and to those for creating a permanent office and staff—in the "Allied Maritime Transport Council," and its Executive. This Committee also urged that Allied Executives, like that for wheat, should be formed for food, munitions and raw materials, with the United States represented therein. The Council met, and was formally constituted in London on 11th March, 1918.[2]

There the first attempt at a world balance sheet ever drawn up was submitted to an international economic Executive, showing the Allied import needs and the carrying power of available tonnage. At its second meeting in Paris, in April, 1918, the Council provided for the establishment of Programme Committees to investigate closely all import requirements, as an extension of the idea of international Executives, where such did not exist, on each of which the United States should be represented. These Committees or Executives were to be formed and their work co-ordinated by a Permanent Bureau of the Council. At this meeting, also, the Council assumed the responsibility for managing, through its Executive, as a real tonnage pool, under Allied control, the chartering and use of neutral tonnage (as arranged just previously by the British, French and Italian Governments, acting through the Inter-Allied Chartering Committee, directed by the Allied Maritime Transport Council). The Council also obtained executive power over enemy ships allocated under its direction during the Armistice. The Transport Council comprised French, Italian and British Min-

[1] Salter, op. cit, pp 153–4 [2] Salter, op cit, p 162

isters and United States delegates, represented in London by officials doing current work. The Allied Maritime and Transport Executive of responsible national officials was to carry out and adjust its policy and action. The Programme Committees, which differed in origin, constitution and powers, were initiated by the Council and its Executive, which co-ordinated their organisation as a whole; but they were not subordinate organs thereto. During 1918, several of them were united in a few central authorities: (1) the Inter-Allied Munitions Council; and (2) the Inter-Allied Food Council; (3) another Council, to cover Programme Committees dealing with other raw materials, was projected, but not formed during the war. These Councils ranked equally in status with the Transport Council, being Ministerial bodies, though the latter, having control of shipping, took the lead in time. Eventually the twenty Programme Committees, handling imported commodities, were: (*a*) Munitions Council: covering nitrates, aircraft, chemicals, explosives, non-ferrous metals, mechanical transport and steel; (*b*) Food Council: covering cereals, oil seeds, sugar, meats and fats; (*c*) other Committees: for wool, cotton, flax, hemp and jute, hides and leather, tobacco, paper, timber, petroleum, coal and coke. Some of them had executive purchasing powers. The chief ones applied, for finance to the War Purchase and Finance Council and for ships to the Transport Council. The Transport Council was formally brought to an end on 7th April, 1919, when it was merged in the Supreme Economic Council: the Executive, with different duties and staff, continued (under the Supreme Economic Council) till 7th February, 1920; but their authority diminished after the war ended. After the Armistice it was suggested that the Council should be reconstituted and turned into a General Economic Council, to co-ordinate the work of the Councils and, through them, the Programme Committees; but the United States did not approve of this course. So, in Paris, in January, 1919, the Allied Supreme Council of Supply and Relief was formed; which, in

February, 1919, was merged in, and supplanted by, the Supreme Economic Council.

(*b*) SHIPBUILDING

Merchant shipbuilding was put under the Shipping Controller's direction. In May, 1917, its task was transferred to a new Department, under a Controller of the Navy, controlling dockyards, and shipbuilding and auxiliary shipbuilding. Shipyards were controlled to see that supplies allotted were put to the best use. Licences were given to private yards to extend capacity and additional new machinery was granted, and national shipyards were built.

(*c*) PORTS

In November, 1915, a Port and Transit Executive Committee, in London, was formed to study difficulties and congestion at harbours, ports and docks, regulate work and traffic thereat, and co-ordinate requirements of various interests, so that trade might flow as freely as possible. Later the Committee was housed with the Ministry of Shipping and worked in close association with the Director of Ports appointed by the Ministry.

(*d*) RAILWAYS

The English, Scottish and Welsh railways were taken over by the Government on the outbreak of war [1] and placed under the control of the Railway Executive Committee. The Irish railways were taken over in January, 1917.

(*e*) CANALS

Over half the mileage, owned by railways, was taken over in August, 1914, with Government control of railways. In March, 1917, the Government appointed a Canal Control Committee to take over and control the more important private canals and inland waterways. It controlled 24 separate companies in England and 5 in Ireland. The Railway-owned canals remained under

[1] Provided for under the Regulation of the Forces Act, 1871.

the Railway Executive Committee's control. The Canal Control Committee appointed sub-committees in Leeds, Birmingham, London and Dublin.

In the case of the canals and of the railways the Government guaranteed, subject to minor exceptions, the 1913 net revenue.

(iii) *Import Restriction*

In February, 1916, import restriction was begun and later extended. On the report of a Government Committee, under Lord Curzon, appointed in December, 1916, the War Cabinet enforced, as from March, 1917, further restrictions, to be supervised by the Board of Trade, which would license those admitted. Later restrictions were extended still further.

(iv) *Coal*

Government control developed first via control of exports by licences and regulation of prices by Act of Parliament or agreement with owners. Early in 1915, the Government restricted coal exports. In July, 1915, more direct control ensued through the *Price of Coal Limitation Act*, fixing a maximum price for coal for internal consumption. In 1916, maximum prices for coal and maximum freights for its conveyance were made applicable to exports to Allies, by voluntary agreement with coal-owners, exporters and shippers. In December, 1916, the Government took over the South Wales mines, and then regulated prices for all coal for England and Allied countries. As it was felt that private management could not meet needs effectively, the War Cabinet decided that from 1st March, 1917, control should be extended to all mines; and a special Department was established under the Board of Trade. In June, 1917, prices of exports to neutral countries were regulated and prices of supplies for bunker purposes controlled.

(v) *Mineral Oils*

In February, 1917, the Government appointed an

Inter-Departmental Committee to co-ordinate the work of the different departments in regard to petroleum; which work later was given to a responsible Minister, who organised a special department, under the Ministry of Munitions, to handle production of oil from home sources. Distribution was put in the hands of the Petroleum Pool Board; and a special department of the Board of Trade, the Petrol Control Department, issued licences and rationed civilians. In August, 1917, a Petroleum Executive was formed to handle larger questions of policy in regard to petroleum. The use of motor-cars was controlled. Consumption of petrol for private use was gradually controlled and finally forbidden.

(vi) *Iron Mines*

In 1917, iron mines were taken over by the Government for the duration of the war and Government control over supplies established. A system of distribution was brought into being.

(vii) *Timber*

In October, 1914, the Government bought timber for building training camps for the War Office, through the Office of Works, using a firm of merchants as official Government buyers. The Office of Works came to buy most of the requirements of all Government Departments. In the autumn of 1915, a Home Grown Timber Committee was formed as a branch of the Board of Agriculture, to secure the best use of home resources. It bought woods and erected sawmills operated by labour directly employed. In April, 1916, the Government, under an addition to the Defence of the Realm Regulations, took the power of compulsory acquisition, i.e. to enter on land and take possession of and fell, convert and remove standing timber. Early in 1916, to stop competition in buying between the British and French Governments, they agreed to make all purchases through a "Commission Internationale d'Achats de Bois". Other Allied

Governments adhered to this Convention—those of Belgium, Italy and the United States. In the summer of 1916, a convention was signed with the French Government whereby the British Government got facilities for cutting timber in France, while the French Government obtained a share of British requisitioned tonnage for transporting timber from overseas for use by French armies. In February, 1917, the War Cabinet endorsed a Report of a Committee appointed by the Government, under Lord Curzon, for the reduction of imports; and a Timber Supplies Department was formed, taking over the functions of various Committees and Departments, including those already mentioned. In May, 1917, it was transferred from the War Office to the Board of Trade. It had to develop home supplies. Consumption of imported softwoods was controlled and economy in its use ensured. Strict supervision of Government consumption was applied. The Timber Supplies Department brought all stocks of soft-wood under its control; and, in January, 1917, it fixed prices at a certain level to stop inflation. Later maximum prices for all timber produced in the United Kingdom were fixed. Speculative purchases of standing timber to hold up for higher prices was prevented; and the export of native timber from Ireland to Britain was controlled to prevent depletion of supplies needed in Ireland.

(viii) *Chemicals*

Control over acids was gradually developed and extended. In June, 1917, the purchase, sale and manufacture of sulphuric acid were prohibited without a licence; and in August, 1917, minimum prices were fixed for superphosphates, and manufacturers were ordered to make returns of stocks. In October, 1917, the sale, purchase, etc., of acetic acid were prohibited without a licence.

(ix) *Textiles*

Control was extended to the raw material of the

woollen, hemp, flax and jute industries and of the leather industry.

(*a*) WOOL

From the autumn of 1914, exports of raw wool were restricted—crossbred wool could only be exported to Allies, occasionally. Early in 1916, the Government had to take steps to ensure reasonable prices and adequate supplies for military clothing; so it bought the home clip of 1916; collection being undertaken by expert wool buyers serving for the purpose in the War Office Army Contracts Department, at fixed prices. In November, 1916, it arranged to buy the Australasian clips, involving an expenditure of about £35 million (as compared with £7½ million for the home clip), and carried out through the Australian and New Zealand Governments. Organisation of valuation and purchase abroad was entrusted to committees of trade experts appointed by the Commonwealth and the Dominion Governments. The 1917 clips of these countries were bought—and a substantial amount of the 1917 South African clip. Early in 1917, the Army Contracts Department brought under its control all other raw wool and wool products up to and including the top-making stage in stock or arriving in the United Kingdom.

Wool acquired by the Government was distributed in priority to Government contractors and manufacturers for export and home trade against rationing certificates. Early in 1917, the system of rationing of manufacturers was introduced and the country was divided into areas for the purpose. Quantity allocation of rations was undertaken by committees appointed by the trade in each area. The whole scheme was supervised by the Board of Control of the Woollen and Worsted Textile Industries, representing employers, workers, and the Army Contracts Department in equal numbers, with headquarters at Bradford. It took over the work of the existing priority committees and allocated to districts, traders, groups and firms the amount of wool, tops and

yarns available for civilian trade. The War Office reserved the right to decide the amount of reserve of raw wool to be kept.

(*b*) JUTE, COTTON, FLAX AND HEMP

War exigencies necessitated considerable control over these industries and over the goods manufactured from these materials. In regard to cotton, jute and flax, and, to a lesser degree, hemp goods, experts were called in, in regard to fabric and prices and negotiation of contracts; and the reserve of statutory power under the Defence of the Realm Acts was used to get information as to cost of production and to ensure that contract prices allowed only a reasonable rate of profit.

(1) *Jute.*—Early in the war the War Office went in for requisitioning under an old clause in the Annual Army Act. Then Defence of the Realm Act Regulations compelled manufacturers to put their output at the disposal of the Admiralty or Army Council. In June, 1915, a War Department Jute Goods Department was opened in Dundee, managed by an agent firm. Then the manager of the Jute Department of this firm became a War Office official, in charge of its Jute Department. Later, to secure proper supplies, the Allies made joint purchases and the Indian Government forbade export except under licence. In February, 1917, imports were prohibited and all unsold stocks were taken over by the Government on the basis of market price, before prohibition. Jute was distributed to manufacturers as needed at uniform reasonable prices. Supplies were distributed equitably among consumers, at non-fluctuating prices.

Government control, according to the Public Accounts Committee of the House of Commons, resulted in a saving of £3 million a year on sandbags alone.

(2) *Linen.*—In March, 1916, the Army Council requisitioned unsold stocks of Russian flax in dealers' hands and prohibited all private dealings in this commodity in the United Kingdom and by British firms in

Russia. In August, 1917, the Ministry of Munitions took over the 1917 crop of flax and of all flax in the United Kingdom ; and prohibited all purchase, sale, etc., without a licence and fixed maximum prices.

The War Office, to check speculation and ensure supplies, monopolised purchase of Russian flax, by means of four firms as agencies in Russia. Arrangements with the Russian Government and with the Admiralty were made for transport.

Flax Offices were created in London (with the manager of a firm's flax department in charge), Dundee and Belfast, to supervise distribution of raw material, allot orders, investigate costs and apply the requisitioning and costings system to the industry. They were run by trade experts, on business lines. The War Office was assisted by an Advisory Committee of Flax Spinners and Manufacturers. From March, 1915, to November, 1918, 163,000 tons of flax and flax seed were bought, valued at £20 million. A dividend of over 60 per cent per annum for these years was shown, without the aim of large profits.

On 23rd October, 1917, a Flax Control Board was formed by the War Office, to supervise and co-ordinate arrangements for securing supplies of flax seed, flax and flax goods for war purposes. The Ministry of Munitions bought at guaranteed prices all the Northern Ireland crop. The Flax Society Limited was set up to cultivate flax elsewhere in Ireland, the War Office providing three-quarters and linen manufacturers one-quarter of its resources. A Government scheme for cultivation of 30,000 acres for flax seed production in Canada was launched.

The Board was aided in distributing raw material by Irish and Scottish sub-committees. The rationing policy was operated by a system of licences.

(3) *Manila Hemp*.—In April, 1917, all trade therein was prohibited and the Government undertook purchase and distribution for all purposes. Prices were fixed; and supply occurred through ordinary trade channels at

a regulated rate of remuneration. Government (War Office) purchase occurred through a Committee of the agent firms represented in the Philippines, directed by the managing director of the biggest firm, as a Government servant.

(4) *Cotton*.—A Cotton Control Board was set up in June, 1917. Production of mills was regulated.

(x) *Leather*

The Government had to take control of home production and of importation. Early in 1917, the previously formed Advisory Committees dealing with supplies were merged into a Central Leather Supplies Advisory Committee, comprising representatives of the main employers' federations and of the chief trade-unions in the trade. It formed sub-committees. In 1918, the Committee was expanded into a Leather Council, formulating policy for controlling the civilian trade. In November, 1918, an Inter-Allied Leather and Hides Executive was formed, in Washington, to control supplies and distribution in the world market. It was abandoned soon after the Armistice. Arrangements were made to produce war-time boots for workers, manufactured and distributed at controlled rates of profit. An Army Boot Department was run by a trade expert. The repair of Army boots was a large-scale industry organised and run by the State (War Office).

In 1916, the Government (War Office) decided to buy and import kips on Government account, using the Government of India as its agent for buying from Indian tanners.

JOINT PURCHASES FOR ALLIES

An Inter-Allied Committee was formed under the Commission Internationale de Ravitaillement to co-ordinate Allied leather purchases. This system of joint purchases was extended to certain raw materials obtained from abroad. Jute and jute goods supplies were so bought. Italy got Indian hides by leaving British

departments to buy for her. France got manila hemp in this way; and certain foodstuffs for Allies were purchased jointly. The British Government, in buying the Colonial wool clip, got supplies for the Allies as well. Conversely France bought British requirements of raffia.

(xi) *Utilisation of Unserviceable Supplies*

An organisation was created to utilise unserviceable supplies, with the salvage of textile and leather goods. A Salvaging Organisation was formed within the Army, to deal with all articles of military use. A National Salvage Council was formed, comprising representatives of the chief Government Departments concerned, to deal with all classes of waste products in civil life.

(xii) *Agriculture and Food*

To meet the shipping shortage the Government expanded its control over the distribution of all the chief national supplies; mainly, by creating the Ministry of Food. During 1917, the Ministry's control was extended to cover all imported foodstuffs, mostly bought on the national account; and a growing measure of control was established over home-grown cereals, meat and dairy produce, purchases being made for the Allies together through Inter-Allied Committees. The voluntary rationing scheme had to be followed, with a view to an equitable distribution of supplies, by a compulsory system of rationing, starting with sugar, and being extended, gradually, to cover other staple foodstuffs.

(*a*) AGRICULTURE AND FOOD PRODUCTION

The 1917 Corn Production Act gave the farmer greater security regarding prices and the State control over land cultivation. The farmer was secured minimum prices for wheat and oats for five years, and the State could enter upon land and require better cultivation [1] where deemed necessary, by the Board of Agriculture, in the national interest.

[1] Certain powers of this character were also given to the Board under the Defence of the Realm Regulations.

In every county small War Agricultural Executive Committees (of up to 7 members appointed by the War Agricultural Committee for each county—previously set up by the Board of Agriculture—plus additional members appointed by the Board) were created and endowed with special war powers (with certain reservations) entrusted to the Board of Agriculture. They were called County Agricultural Executive Committees; and they appointed sub-committees. District Committees also advised the Executive Committees.

An Advisory Committee on Food Production was appointed by the Board and, in January, 1917, a special Food Production Department. Certain machinery was also created for Scotland and Ireland.

The Board, through its Committees, could take possession of all or part of a farm and cultivate it or let it to new tenants; and could determine forthwith the tenancy of any land being badly farmed. Under the Defence of the Realm Regulations powers were delegated to Town and Urban District Councils for taking possession of unoccupied land and, with the sanction of Agricultural Executive Committees, of any occupied land, for letting as allotments to residents in urban areas. The Central Departments had to secure an adequate labour supply, mobilise and increase the supply of horses and agricultural machinery, secure the supply and distribution of fertilisers and seed and other requirements. The Ministry of Munitions took over, in 1917, the manufacture of fertilisers, and Fertiliser Works were made Controlled Establishments.

(*b*) FOOD CONTROL

On the outbreak of war the Government formed a Cabinet Committee on Food Supplies to collect information on stocks of the chief commodities. Gradually the Government took over the control of wheat imports. It appointed the Royal Commission on Wheat Supplies in October, 1916; which controlled imported wheat and regulated the selling price thereof to millers. In 1916,

it bought large quantities of wheat. In 1917, it undertook distribution—and later embraced all food supplies.

Immediately after the outbreak of war the Government took control over sugar imports and appointed the Royal Commission on the Sugar Supply in the same month to make the necessary purchases and regulate distribution in the trade, allot quantities and fix prices. Later wholesalers and retailers acted as agents for the Government at a fixed profit; and consumers were rationed by the Food Ministry.

The Board of Trade undertook control of chilled and frozen meat imports, so far as Army requirements were concerned, soon after war broke out. This Department regulated the price of milk in the autumn of 1916, fixing a maximum increase over the November, 1914, price. In October, 1916, the same Department regulated the serving of meals in restaurants and clubs.

Greater Government intervention and control were instituted in October, 1916, when it was announced that a Food Controller would be appointed. For a time, however, the Board of Trade continued to control imported supplies and regulate food distribution. A Ministry of Food was created by the 22nd December, 1916, Act.[1] A Food Controller took office on 26th December, 1916, with the duty of economising and maintaining the food supply, regulating the supply and consumption of food and encouraging food production. He consulted with the Agricultural Departments regarding the stimulation of home production of crops, live stock and live stock produce. His jurisdiction applied to the United Kingdom, whereas there were separate, independent Boards of Agriculture for England and Wales, Scotland and Ireland.

Before the Ministry was formed, apart from sugar, there was no machinery for Government distribution of foodstuffs to the consumer. The task of co-ordinating distribution was difficult because there were estimated to be 10,000 multiple shops, and 5,000 co-operative

[1] Its formal demise took place on 31.3.21.

shops, as compared with 70,000 small general shops and 15,000 individual grocers, no less than 24 million people being supplied through small general shops.[1] Similarly the task of fixing food prices was also complicated by the multiplicity of middlemen, importers, brokers, wholesalers and jobbers.

The Inter-Allied Council on War Purchase and Finance enabling the French, Italian and United Kingdom food requirements and the finance and tonnage therefor to be presented in co-ordinated and agreed form to the chief source of supplies and finance, the United States, was "the apex of a complex structure which, almost unnoticed, has effected an unparalleled economic revolution by transferring the import of all foodstuffs from private hands into Government control".[2] Nearly all food imported into the United Kingdom, France and Italy was actually bought and shipped by the respective Governments through specially constituted Boards; the logical development of the Wheat Commission and the Wheat Executive. The Ministry of Food and its affiliated Commissions did most of the administrative and executive work for all the three Governments. The "overhead" supply machinery turned principally upon the Wheat Executive, Sugar Commission, Meats and Fats Executive and Oil and Seed Executive, all with headquarters in London.

The procedure of the Meat and Fats Executive illustrates the working of this international organisation. The Executive, in London, comprising a representative each of Great Britain, France and Italy, collected their monthly requirements, allocated supplies to these countries and cabled orders to buy to the Allied Provisions Export Commission, in New York, composed as above, acting as sole agent for buying foodstuffs (except cereals and sugar) in the United States, and instructed by this Executive. Two United States bodies, the Division or Co-ordination of Purchase, and the Packers' Com-

[1] The *War Cabinet Report for the Year 1917*, p. 169.
[2] Ibid., p. 170.

mittee, performed functions in New York in respect of fresh meat and packing house products.

Purchases for Belgium, Portugal and other Allied countries, not represented on the Executive, were made through the same channels.

The Royal Commission on the Sugar Supply came to be represented on the International Sugar Committee in New York The Wheat Executive had a body in Canada, as well as in the United States, for purchase and export.

The British programme of requirements for any Inter-Allied Executive had to be approved by an American Board (a Board representing British Government Departments interested in getting supplies, the Foreign Office, the Treasury and the Ministry of Shipping), or failing agreement in reconciling conflicting Departmental claims, by the War Cabinet.

The Food Ministry guaranteed a minimum price to potato growers and later fixed a maximum price. It took over the whole crop as for 1st November, 1915. It bought the whole exportable butter supplies of Australia and New Zealand. To get additional margarine, refineries and factories were equipped with additional plant; and, to get the raw material, all the exportable surplus of West African ground nuts and palm kernels, all Egyptian cotton-seed crop and part of the South American and Indian linseed crop were bought. All oil-seeds, nuts and kernels in the United Kingdom were controlled. The Food Ministry took over the purchase and shipping of all tea from Ceylon and India to the United Kingdom.

A Director-General of Food Economy was appointed; and restrictions on consumption were enforced by Orders under the Defence of the Realm Regulations.

From early in the war the export of nearly all foodstuffs was prohibited except by licence, controlled by the War Trade Department, in consultation with the Food Ministry.

Distribution to the consumer was prepared for: by

Ministry of Food control of all imported foodstuffs, as regards purchase, shipping and distribution through the regular trade channels; by control of flour mills, taken over early in 1917, and control or requisitioning of stocks of various commodities in the country. Distribution was facilitated by using the local Government machinery, giving decentralisation. Great Britain was divided into 16 Food Divisions; each supervised by a Commissioner (appointed by the Food Controller), assisted by Assistant Commissioners; in each of which the local authority appointed local Food Control Committees, which had to include representation of labour, women and the co-operatives. Rationing was carried out through this scheme. The Committees enforced all Orders; and on 22nd December, 1917, were authorised to commandeer and redistribute supplies and to institute local schemes of compulsory rationing as forerunners of the universal plan. The universal rationing of sugar operated as from 1st January, 1915.

The country was also divided into livestock areas (each with a directing Commissioner) to control the supply of cattle. Distribution of feeding-stuffs was controlled by Feeding-Stuffs Committees in five Ports and various Provincial Committees, attached to these Port Committees. Local committees were authorised to commandeer milk supplies in their area and arrange a priority of supply, according to necessity.

Increased cold storage facilities were provided. A Road Transport Board was formed to accelerate delivery of foodstuffs. A Consumers' Council, to advise the Ministry, was formed, of representative people.

The Food Controller set out to reduce prices in articles of prime necessity; fix profits at every stage from producer to consumer; and to abolish profiteering. Before he was appointed, as emergency measures, maximum retail prices for imported supplies of beans, peas and pulse were fixed; and, by arrangement with the trade, provision prices had been partially controlled. The Board of Trade had fixed a maximum wholesale

price for milk and a minimum price had been fixed for potatoes.

The Food Controller appointed a Costings Department, whereby, under the Defence of the Realm Act, the profits of any manufacturer or dealer in food could be ascertained. Accountants were appointed in various areas. A reasonable profit was added to cost (through all stages, producer, importer, wholesaler and retailer) and price limits were fixed after consultation with the trades concerned. It was possible, as the various food industries were controlled, to determine a fair profit. Wholesalers and middlemen acted, in effect, as Government agents, with a fixed commission: they were licensed and registered. The prices of practically all essential foodstuffs were controlled. Local Food Authorities could fix lower prices, but could not raise them without the Controller's consent. A State subsidy enabled bread and potato prices to be reduced. Meat was controlled and the speculative middleman eliminated by fixing maximum wholesale prices of dead meat. Butchers' gross profits were limited. Sugar prices were controlled throughout. The Sugar Commission imported on Government account and regulated prices to wholesalers and retailers, on the basis of costs of production and handling. Prices were not fixed by Statutory Order, but, with a monopoly, the Commission compelled obedience by threatening to withhold supplies.

The wide range of the Food Ministry's activities is reflected in that occasionally it bought abroad, eggs, canned fish, potatoes, syrup, honey and jam or fruit for making jam or marmalade.

(*c*) MEAT

A 31st May, 1917, Meat (Sales) Order checked the multiplication of speculative dealing and "inter-trading". A scheme of control of the trade drawn up at the War Office on 1st June, 1917 (approved in July, 1917), was applied by the Food Controller eventually. It provided for appointing Local Executive Officers to

supervise the sending of cattle to market, where they would be distributed at fixed prices to butchers and salesmen by the auctioneer or market superintendent. A London Central Office would fix the quota to be supplied from one area to another and fix the proper avenues of distribution. All dealers, salesmen and butchers were to be licensed and their sphere of operations limited. Local Authorities were meant to take a larger share in the scheme than actually happened. They were to be able to set up municipal butchers' shops, take over and control slaughtering and regulate retail prices. Actually they just registered butchers, gave consumers meat-cards, and supervised the tying of consumers to special shops. The Smithfield Control Board crystallised the plan for setting up a separate office to buy for the whole of London, employing wholesale butchers and meat salesmen, on a commission basis, as authorised dealers.

Maximum prices were fixed, and reduced; and herds were reduced. In October, 1917, a Central Live Stock and Meat Trade Advisory Committee was established, representing farmers, auctioneers, meat importers, meat salesmen, retail butchers, co-operators, journeymen butchers and Boards of Agriculture and Ministry of Food officials—a kind of Parliament for the Live Stock and Meat Trade. Wholesale Meat Supply Associations were formed, in the eight centres of wholesale distribution, and wholesalers had to join to get a licence. The Food Controller shared in controlling them; and they acted partly as agents and partly as contractors to the Government.

The machinery of control operated as from 27th December, 1917: Government purchase of live stock from farms; pooling of all intermediate transport and distribution expenses (necessitating the creation of a Central Live Stock Fund); re-sale to butchers at fixed uniform prices; live stock auctioneers acting as Government agents; official Grading Committees, comprising a farmer, a butcher and an auctioneer, operating in each market to grade and weigh animals for slaughter.

As finally applied this scheme provided for a territorial organisation to control live stock supply, national rationing for controlling demand, and regulation of distribution through a re-organisation of the meat trade. Great Britain was split into fourteen live stock areas, each under a Commissioner (aided by an Area Live Stock Advisory Committee, representing farmers, auctioneers, butchers, and cattle-dealers); each being sub-divided into Sections directed by a Chairman of Auctioneers; subdivided again into Market Districts each embracing Rural Districts or Food Control Committee areas. Each Commissioner, *inter alia*, fixed the quota furnished by each Market District, and arranged for the distribution and transfer of live stock. The Auctioneer controlled the market, acting as a Government agent for live stock purchase and re-sale to butchers. The function of the Grading Committee has been mentioned.

The London and Home Counties Rationing Scheme started individual meat rationing on 25th February, 1918; and this was enforced throughout the country on 7th April, 1918. Meat cards were issued, through local Food Control Committees, and customers were allocated to butchers. Distribution was regulated by a special Headquarters, Live Stock Area and Food Committee Area Organisation.[1]

The Smithfield Control Board started in April, 1918. Under it Smithfield "became a huge non-profit-making trading concern guaranteed and supervised by the Food Controller, but operating autonomously like the Port of London Authority or the Metropolitan Water Board". The Board comprised ten men in the trade and representatives of the Ministry, retail butchers and labour.

[1] Mr. Lloyd (op. cit., p. 185) describes this organisation: (*a*) Headquarters; Director of Meat Supplies and Chief Meat Agent; National Meat Distribution Committee, Associated Importers' Committee; (*b*) Live Stock Areas; Area Meat Agent, Local Meat Distribution Committee, Wholesale Meat Supply Association, Local Meat Importers' Committee; (*c*) Deputy Meat Agent, Butchers' Committee.

(*d*) OILS AND FATS

Early in the war the Ministry of Munitions stopped dealings in glycerine and arranged for soap manufacturers to pass their output to the State at a fixed price. Then it set up an Oils and Fats Branch of its Explosives Department to regulate imports and exports, ration raw materials and increase glycerine production, through an Oils and Fats Controller aided by an advisory Grand Committee of traders. Under May, 1917, Orders all dealers in oil-seeds, oils and fats had to be licensed, on stated conditions; and maximum prices were fixed for the main commodities affected. In July, 1917, the Oils and Fats Department was transferred to the Food Ministry; and a scheme of State purchase of imports was prepared (embracing cotton seed from Egypt, linseed, rape seed and castor seed from India, linseed from the Argentine and West African produce).[1] A centralised control of distribution of raw materials and regulation of prices at each stage was developed. In order to have control of all supplies and plan allocation to manufacturers, the Grand Committee was replaced by several Advisory Committees, such as the Seed Crushers' Committee, Refiners' Advisory Committee, Oilseed Brokers' Advisory Committee, West African Merchants' Advisory Committee, Margarine Manufacturers' Advisory Committee, and Soap Manufacturers' Advisory Committee. Under Orders made by the Food Controller under the Defence of the Realm Regulations, 28th November, 1917, regarding the requisitioning of seeds, nuts and kernels and oils, oil cakes and meals, the Controller took over all seeds, nuts and kernels[2] (except amounts under 5 tons) as scheduled and forced seed crushers

[1] British Commonwealth supplies were limited to the United Kingdom and the Allies A Cotton Seed Control Board, appointed by the Egyptian Government, bought cotton seed in Egypt for the British Government. Purchase of coco-nut oil in the Straits Settlements and Ceylon was made by the Governor for the British Government. The Wheat Commission's agents bought Argentine linseed; and so on

[2] Raw materials with manufacturers and merchants' stocks were taken over.

and extractors to give him crude oils, oil cakes and meals produced at their factories. His Department got full control over these commodities and could distribute and use them as he thought best. A drastic scheme of price limitation was introduced.[1] An Oils and Fats Trading Account functioned like the Central Live Stock Fund.

Distribution occurred through a United Kingdom Oilseed Brokers' Association, which every broker, as a condition of his dealer's licence, had to join. Its constitution and objects were like those of the Wholesale Meat Supply Association; it acted as sole Government agent for dealing in oleaginous produce.

To control supply and purchase, Inter-Allied Oilseeds and Meats and Fats Executives were formed, as consultative bodies.[2]

(*e*) MARGARINE AND EDIBLE FATS

Maximum prices were fixed under the Margarine (Maximum) Prices Order, 1917, on 20th November, 1917. Rationing was introduced in December, 1917. Local Food Control Committees, by a December, 1917, Order, could requisition stocks at wholesale maximum prices plus a limited sum for retailers' expenses. Then came full control of distribution from factory to shop by: (i) licensing of wholesale dealers by the Food Controller and registering of retailers with Food Control Committees, by a December, 1917, Order; (ii) control of supplies, by a January, 1918, Order, requisitioning margarine factories' output and imported supplies at ports. A Margarine Clearing House, controlled by a Board representing manufacturers, importers and retailers under the chairmanship of a Ministry official,

[1] Mr Lloyd (op cit, p 217) says that it would be difficult to find a parallel elsewhere for this procedure requisitioning crushers' raw materials at the existing price level, and then handing them back to their previous owners on payment of the difference between the old and the new level of fixed prices!

[2] Mr Lloyd says that proposals were made for these Executives to be run as financial partnerships or Governmental joint-stock companies; but joint funds were never put at their disposal.

was formed to supervise distribution; with the division of the land into areas, and local distribution through the Food Control Committee. Rationing of butter and margarine was extended all over Great Britain in June, 1918. Machinery was devised for controlling dripping and tallow.[1]

(*f*) MILK, BUTTER AND CHEESE

The President of the Board of Agriculture, in April, 1917, appointed the Astor Committee to report on production and distribution of milk. In February, 1918, *inter alia*, it urged the Food Controller to take over, through the Ministry's Milk Section, the control of wholesale collection, utilisation and distribution of milk. A Sub-Committee (presided over by the Director of Milk Supplies) suggested that competition in distribution was wasteful and urged centralisation and organised planning of the wholesale trade. A single authority, to co-ordinate and plan deliberately, it said, was essential for adjustment of supply and demand. It proposed that the Government should take over, and employ as agents, all large wholesale firms; thus giving one public, national wholesale organisation run in producers' and consumers' interests. Its scheme of control, approved by the full Committee, provided, *inter alia*, for a National Milk Clearing House to control wholesale trade in milk. The Sub-Committee actually recommended[2] State purchase of the wholesale milk trade; but this was not introduced.[3] Lord Rhondda[4] said that he could not help thinking that milk distribution, like that of many other articles of consumption, lent itself to communal or State handling.

Temporary control measures followed. The Ministry

[1] See Lloyd, op. cit., pp. 239–44.

[2] By 10 votes to 5 See Lloyd, op cit, p 250.

[3] Because the Government did not want to extend State ownership as a permanent policy (Lloyd, op. cit, p 251). Mr. Lloyd says that valuation would have presented no difficulty and farmers might have preferred a State monopoly

[4] In a letter to the Secretary of the Minister of Food on State Purchase of the Wholesale Milk Trade, dated 21 5 18 (Lloyd, op. cit, pp. 449–50).

took over about 800 wholesale firms. There were formed: a Milk Control Board, representing administrative officials, farmers, traders and consumers; a Central Milk Advisory Committee (of 25), representing Government Departments, M.P.'s, wholesalers, retailers, farmers' co-operatives, consumers' co-operatives, and manufacturing consumers of milk; and a Financial Advisory Committee. Assistant Milk Commissioners were attached to Divisional Food Commissioners' staffs; and Local Advisory Committees formed, including representatives of wholesale and retail trades, Public Health Authorities and local Food Control Committees. The Milk (Distribution) Order, 1918, 5th October, empowered regulation of purchases and sales and compelled producers or dealers to deliver as instructed.

The Government bought all the Australian and New Zealand exportable surplus of cheese for the 1916–17 season, at a fixed price for Army use. In May, 1917, it sold some supplies for civilian use, through importers and wholesalers as distributing agents. Legal maximum prices for butter and cheese were fixed by the Food Controller in August–September, 1917. On 29th May, 1917, the Controller requisitioned all cheese coming from the United States and Canada; distributing supplies through trade channels. The Food Ministry replaced the Board of Trade, in January, 1918, in supplying cheese for the Army. In 1918, Government purchase was extended to Dutch and various British cheeses. In January, 1918, a Cheese Advisory Committee was appointed.

A Butter Maximum Prices Order was promulgated in September, 1917. By a Board of Trade Order, in December, 1917, private import of butter was prohibited. The Food Ministry created, on 21st December, 1917, a Butter and Cheese Imports Committee, of 10, including seven traders appointed by the Controller, to handle Government imports. Various arrangements were made for purchase in foreign countries.[1]

[1] See Lloyd, op cit, pp 255–6.

(*g*) CEREALS

The Wheat Commission was appointed on 10th October, 1916,[1] to inquire into the supply of wheat and flour in the United Kingdom, sell and control their delivery for the Government and ensure an adequate supply. It was an independent body, with powers from the Crown under Royal warrant. The Food Controller nevertheless acquired a certain control and answered for it in Parliament. It became the "Cereals Division" of the Ministry; for regulating purposes.

On 27th October, it was authorised to deal with all other grains; and it took over imports of maize, rice, barley and oats. The Wheat Executive Agreement was signed on 29th November, 1916, giving France, Britain and Italy, and, later, other Allies,[2] cereals imports co-operation. The Commission acted as the agent of the Executive.

On 25th April, 1917, its activities were extended to cover wheat and all other cereals and products thereof, all pulses and products thereof and farina, all substitutes for any such grain, pulse or products thereof.

The Commission had a big organisation overseas in the chief export markets: e.g. Resident Commissioners in North and South America and Australia; the Wheat Export Companies in the United States and Canada; a special Commission in the Argentine; purchases through trade channels in certain neutral countries; and purchase through the Commonwealth Government (which controlled the crop) in Australia.

On 20th April, 1917, the Food Controller took over all the larger flour mills, and former owners administered them on Government account, with guaranteed pre-war profits. Smaller mills were taken over on 31st July, 1917, flour manufacture becoming a Government mono-

[1] It lasted till August, 1921; was reappointed in December, 1921, and ended in July, 1925

[2] Eventually it operated for 16 countries, apart from British possessions, including neutrals

poly. Control came to be exercised by a Flour Mills Committee of the Wheat Commission.

The Wheat Commission also dealt with home-grown cereals. Home production was encouraged and a Food Production Department of the Food Ministry set up. Under Defence of the Realm Regulations, in December, 1916, the Government took power to enter on and cultivate land for specified purposes in regard to food supply. Prices of crops were guaranteed. Home supplies were controlled, the farmer being guaranteed a price and a market. Control of supplies occurred, not through requisitioning but through flour mills' control and restriction of the uses of grain. Prices were referred, later, to the Agricultural Advisory Council.

From September, 1917, to December, 1920, the price of bread was reduced by a State subsidy;[1] but the Food Ministry's policy in every other respect was to be self-supporting without making a profit. Baking was not nationalised; but "had Lord Rhondda lived, and the Ministry remained in the hands in which he had placed it, all the larger bakeries would probably have followed the flour mills into State control before the end of 1918".[2]

(*h*) OTHER COMMODITIES

Imports, other than cereals, were controlled.

In due course nearly everything eatable or drinkable that reached this country came as the property of the Government or became its property on arrival. Even where the Ministry did not formally prohibit private trade—as with eggs, fresh vegetables and fresh fruit—it made large purchases.[3]

The only important exceptions to actual ownership of imports were coffee—increasingly obtained from prize cargoes in Admiralty hands—and cocoa, in regard to which control of manufacture, price and distribution was possible without ownership. This control, evolved gradually, was practically completed by the end of 1917;

[1] Costing about £50 million per an. (Beveridge, op. cit., p. 109).
[2] Beveridge, op. cit., p. 110. [3] Ibid., p. 115.

and eventually embraced, for example, pork products, dried fruits, butter, cheese, frozen meat, oil-seeds and oils, tea, condensed milk and canned meat, and canned salmon. Various methods of purchase abroad were adopted, e.g. one big contract for all or most of the exportable surplus of a country year by year, from the local Government (which had requisitioned it at a fixed price from producers) or from producers (under a contract approved by and negotiated through the local Government); a permanent agency of the Ministry in the country; a permanent agency used for cereals by the Wheat Commission; agents sent on temporary mission; purchase through traders and brokers; requisitioning of cargoes on arrival, imported by private traders; and, in the United States, through the Allied Provisions Export Commission (which bought for the Allies all food except cereals and sugar). Supplies thus obtained were handed on to the trade and the public in various ways, but on these general lines: use of normal trade channels as far as possible; traders working on a fixed profit, whether acting definitely as a Government agent on commission or buying and selling at fixed prices; retailers registering their demands (ascertained according to a system) with one or more wholesalers; wholesalers registering with a first-hand supplier (importer, broker, manufacturer or other) who held supplies for the Ministry, in which was a Committee or other agency for making allocations to first-hand suppliers. Distribution schemes for different foods varied considerably.

(2) SUGAR

This was controlled—and rationed—first and decontrolled almost the last. The Sugar Commission was formed on 20th August, 1914, to buy, sell and control deliveries for the Government and maintain an adequate supply. Restrictions on import, sale and distribution ceased on 26th February, 1921.[1] Like the Wheat

[1] See *First (Interim) Report*, Cmd. 8728, 1917; *Second Report*, Cmd. 1300, 1921.

Commission it remained technically separate from the Food Ministry. A separate branch of the Ministry dealt with the later stages of distribution and rationing. It got a statutory monopoly of imports by a 26th October, 1914, Royal Proclamation. It bought from North America through brokers and agents; from Java through a firm as agent; and in Mauritius through the local Government. Supplies of raw sugar were handed to refineries and of imported white sugar to wholesalers, under agreements providing for limitation of profit on re-sale.

The subsequent formation of the International Sugar Committee has been described already.

Schemes for control of other imports such as tea, dried fruits, bacon, hams and lard, also were introduced.[1]

Reference has already been made to the control of home live stock and meat, and potatoes.

A Food Council, to discuss policy affecting the administration of the Food Ministry, was formed in September, 1918; under which were three main Boards for Imports, Home Supplies and Joint Finance.

(*j*) INTER-ALLIED FOOD CONTROL

On Mr. Hoover's initiative the French, Italian, United States' and British Food Controllers met in London, between 28th July and 16th August, 1918, and evolved a single inter-allied food control. Executives for single commodities, such as wheat, sugar, meat and fats, were merged in one council for the planning and control of feeding all the European Allies. These Controllers were formed into an Inter-Allied Food Council, which appointed a Committee of Representatives, to act on its behalf, with delegates from the Allied Maritime Transport Council, the Inter-Allied Finance Council and the Inter-Allied Scientific Commission. It acted as sole channel of communication between the food executives, dealing with particular classes of foodstuffs, and the above Transport and Finance Councils, and supervised

[1] See Beveridge, op cit., pp. 126–37

the purchase and shipping programme. Committees for particular classes of foods were continued or set up: Wheat Executive, Meat and Fats Executive, Sugar Programme Committee and Oil-Seed Programme Committee. The Committee of Representatives first met on 30th July, 1918. International co-operation in food supply supplemented international co-operation in transport, munitions and finance.

(*k*) LIQUOR CONTROL

In 1917, the output of beer was reduced under the Food Controller, after the Central Control Board (Liquor Traffic), appointed in 1915, had advised the Government, in December, 1916, that there was excessive consumption of alcoholic liquor and inadequate control of its sale. It also complained of competition in the trade, and the redundancy of public-houses; urged the advantages of direct State control through purchase, with the elimination of private profit in the trade and substitution of salaried managers, without financial interest in selling alcohol. The Government appointed committees to report on financial arrangements involved in a policy of Direct Control and Purchase. In Carlisle, Gretna and Annan the drink trade was nationalised, the Board buying local breweries and acquiring licences, closing many public-houses and abolishing all grocers' licences. Similar work, on a smaller scale, under State ownership, was done at Invergordon and Enfield.

Maximum prices for beer in public bars were fixed; and restrictions were placed upon spirits. In 1917, the manufacture of all spirit for human consumption was stopped.

The Central Control Board had to organise canteens and dining-rooms at national and controlled munition works.

(*l*) THE SIGNIFICANCE OF FOOD CONTROL [1]

In 1919, when control was liquidated and the Profiteer-

[1] See Beveridge, op cit., Chap XVI.

ing Act tried by publicity and prosecution for high prices alone to interfere, there was "mere window-dressing" and little effect on prices and traders.

The method of combining civil service control with work by technically expert business men succeeded. The technical expert in a trade had full responsibility for executive action taken, and over a group of connected trades was a presiding civil servant, to co-ordinate policy in accordance with the general plan of the Ministry. If there was disagreement there was the right of appeal of the expert to the Food Controller and the Permanent Secretary.

State food trading activities taught another lesson: it was realised that strict Treasury control of normal times could not succeed, though Parliamentary responsibility was not altered.

The Consumers' Council, comprising representatives of Labour and the Co-operative Societies, also functioned well; to prevent undue use of power by the Ministry.

Many trades successively were brought under State supervision and/or operation. Towards the end of 1918, 85 per cent of all food consumed by civilians in Great Britain was bought from abroad or the home producer and sold by the Food Ministry. *The Times* said: "The Ministry of Food is the greatest trading organisation the world has ever seen." Its turnover reached £900 million per annum! It had representatives in every food-producing country in the world whence supplies could be got. Every retail shop selling any kind of food relied for its day-to-day supplies on the proper functioning of the State machine.

The Ministry of Food, suppressing private enterprise completely, accomplished what private enterprise in the country could never have accomplished. The British people were fed not only better and more cheaply than without the Ministry they could possibly have been fed in the war, but probably on the whole better than before the war because wages were relatively high, work was regular and distribution fair.[1]

[1] Beveridge, *British Food Control*, p 338.

This experience showed the practicability of State trading in food on a big national scale.

As an experiment in public administration food control in this country on the whole was a success. There was no serious breakdown; there were unexpected triumphs; there was substantial achievement of all main objectives in a novel field of public activity, bristling with complex problems.[1]

Price control in almost all cases had to be based on control of supplies and accompanied by strict control of distribution. "The most thorough was the most successful" scheme.

"The main lesson of British food control is that State trading in food is practicable and in times of prolonged shortage is necessary."[2]

(xiii) *Regulation of Consumption*[3]

It has been seen that not only was production in various industries controlled, but also consumption was regulated. It was realised that there must be an attempt at a fair division of limited supplies of essential food and necessities of life. Rationing began with sugar. The more general, London and Home Counties rationing scheme, introduced on 25th February, 1918, was extended to the rest of the country six weeks later. From April to July, 1918, the Food Ministry unified and simplified its schemes, and extended control over subsidiary foods. The national rationing system, administered by autonomous local committees, began on 14th July, 1918. It included sugar, butter, margarine, meat of various kinds (including bacon), and jam. De-rationing occurred at various times. The main features of the national system were: individual ration books; tying of a customer to a given retailer; tying of shopkeepers to a wholesaler or wholesalers who were supplied systematically with amounts limited by the number of customers tied to them. There was also local rationing, which often included tea. Bread, cheese and milk were not

[1] Beveridge, op. cit., p. 335 [2] Ibid., p. 337. [3] Ibid., pp. 182–232.

included among the many (though not all) essential foods that came to be individually rationed; nor were boots and clothing rationed.

(xiv) *Price Control*

Maximum prices were regulated and fixed by Act or Order to prevent unreasonable inflation. Before the war the mere idea of price fixing would have produced a shock to most people. Actually during the war it came to be generally accepted as necessary, and almost "normal". British Government intervention, unlike that of France and Germany, began by fixing prices of finished products and later covered raw materials.

The Food Ministry exercised a wide variety of control. Prices of commodities which it owned were controlled throughout. It controlled wholesale and retail prices of commodities—for some commodities over which it exercised a particular control of production, importation or distribution and for others over which it exercised no such particular control. Sometimes it only controlled wholesale, and at others only retail, prices. Only unimportant commodities were left uncontrolled. Price fixing had to deal with the payment to the home or foreign producer (plus importation costs) and with the margins for handling, distribution and, where necessary, further manufacture or treatment.

(xv) *The Legal Background of Control*

The legal origins of Government control were supplied by amendments of the Defence of the Realm Regulations. The requisitioning of stocks and raw produce was governed by Regulation 2B, and the payment to manufacturers of only cost plus fair profit by Regulation 7.[1] State control of trade, licensing of dealers and enforcement of maximum prices occurred under Regulations 30A and 2E. The former gave the power of prohibiting British firms from buying and selling in other parts of

[1] For fuller reference to Regulations 2B and 7 see the chapter on "Compensation or Confiscation?", pp. 129–30.

the world except under licence,[1] and eventually facilitated State purchase in foreign markets. Regulation 2 E, most drastic of all the Regulations,[2] provided the legal basis for fixing maximum prices, rationing manufacturers and dealers, enforcing the system of priority in distribution, cancellation or varying of private contracts and regulation of the uses to which a man might put materials in his possession. Under the Regulation the State could interfere with private property and freedom of trading just as it chose. Various powers given to the Food Controller could be interpreted as coming thereunder.

(xvi) *Reconstruction*

A kind of Standing Reconstruction Committee of Cabinet Ministers was formed, aided by a Secretariat and Sub-Committees. In March, 1917, the Government formed a new Committee, with the Prime Minister as Chairman and fifteen other members representing specialised knowledge in the various problems to be considered, and including M.P.'s, labour and social experts, men and women. It had sub-committees and was due to consider, *inter alia*, the supply of raw materials. In 1917 (under the New Ministries Act, 1917), it was replaced by a Ministry of Reconstruction, which was to last during the war and two years, or less, afterwards, in order to enable the State to grapple with reconstruction problems; covering almost every branch of national life, and including demobilisation, re-conversion to peace production of the many industries making war material, supply and distribution of raw material. Its establishment,

with the powers conferred upon it by Statute, means not only that schemes are prepared but that steps are taken to secure conference and co-ordinated action with the Departments or public authorities concerned. The Ministry, in fact, is acting as a

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[1] Under it the Admiralty, Army Council and Ministry of Munitions could schedule a list of articles and classes of war material to which such prohibition should apply.

[2] See chapter on "Compensation or Confiscation?", p. 130.

general staff for the vast problems of reconstruction which will present themselves after the war.

The Ministry created an Advisory Council representing the chief interests in reconstruction. Its Commerce and Production Section was due to report on the Supply and Control of Raw Materials after the war.

There was the machine. Why was it not used? Look to vested interests or prejudices in favour of old-fashioned economic ideas for the answer! Its work was regarded as mainly advisory.

(xvii) *Methods of Government Control*[1]

The degree of control varied from full ownership, as in the case of national munitions factories and national shipyards, down to the fixing of a maximum output, as for brewing, or, as in farming, the enforced transfer from private to public control in case of inefficient cultivation.

The Government began by guaranteeing the banks' and discount houses' solvency by putting the national credit behind approved commercial bills payable by various debtors, enemy and other, who could not meet their liabilities, taking over the railways, and creating a Sugar Commission to implement a Government monopoly of purchase and import: it ended by virtual Government control of the whole economic life of the country. Direct Government operations began with the War Office, then extended to the Board of Trade and Ministry of Munitions. The main system of control grew out of and centred around the need for munitions and Army supplies. The Board of Trade then had important tasks in limiting prices and arranging distribution of materials needed mainly for civilian purposes. Control ultimately stretched out to the wider field. It began by applying control and national purchase to finished articles and came to extend it to raw materials. It controlled imports and home supplies. The State controlled production,

[1] The main source of information is Lloyd, op cit

export and import and distribution. Most manufacturers depended upon the State for materials and labour allocated. The State requisitioned. It regulated prices and profits. It rationed food distribution.

By the end of the war, over 90 per cent of the total imports into Great Britain were brought under the control of (i.e. were bought, transported and distributed by) the War Office, Ministry of Food, Ministry of Munitions, Board of Trade, and the Admiralty, and the authority of the Ministries of Munitions and Food covered 70 per cent of imports.

We have seen how the Food Ministry controlled the purchase and distribution of a wide variety of foodstuffs, including numerous subsidised commodities as well as bread, meat and sugar; how the Ministry of Munitions controlled manufacture all over the country, setting up its own factories and exercising a stringent control over private factories, gradually, by various methods, took into its hands the buying, importation and distribution of raw materials, including almost every metal import required for manufacturing munitions; how its authority extended to chemicals as well as ferrous and non-ferrous metals and raw materials—to steel and iron, ores, copper, zinc and spelter, lead, tin, platinum, aluminium, oils, nitrates, coal tar, etc.; how the War Office controlled and imported most raw materials not dealt with by the Ministry of Munitions—e.g. flax, hemp, hides, jute, leather and wool; and how the Board of Trade regulated and controlled most of the remaining imports—e.g. cotton, paper and pulp, timber and tobacco.

Then the restricted export trade had to be controlled and labour and raw materials allocated, and buyers found in countries, where, for national financial and exchange reasons, increased export was vital, until, with the entry of the United States into the war and with unlimited credits forthcoming, it ceased to be essential to promote exports.

Eventually the State participated in international controls of separate commodities, then in a single Inter-

Allied control of a whole branch of economic activity, such as Food, Shipping and Transport, Finance; and, finally, in a Supreme Economic Council—a single international economic control.

Various methods of purchase were employed by the State in the country in which commodities purchased originated. Likewise the Government created varied forms of organisation for buying. In the cases of buying of jute and flax, private commercial methods and functions were tacked on to a Government department. On the other hand, in the cases of the Butter and Cheese Imports' Committee, and the United Kingdom Oilseed Brokers' Association, private concerns were made to assume the position of a Government Department, in regard to methods and functions.

Government purchases (in normal times the Government is about the biggest single buyer) in the early war years, as usual, were made directly, without using intermediaries, agents, brokers or middlemen; but in some instances, having started by direct purchase, in order to get the utmost trade co-operation, trade intermediary organisations were utilised. The various methods of purchasing thus adopted included, therefore, normal, direct, market purchase; long-term contracts with Governments in the exporting countries; use of private expert buyers; State import monopoly, with direct employment of trade experts as salaried officials, or use of private firms as agencies paid by a fixed margin; where agencies were used, the Government provided tonnage and finance, and supervised operations generally, but not detailed operations.

Manufacture was controlled through such representative bodies, with varying functions as: Manufacturers' Associations, e.g. Wholesale Clothiers' Association, Belfast Flax Spinners' Association and Soap Manufacturers' Federation; Advisory Committees, members being appointed by the controlling department on the nomination of Trade Associations or because of their position in the industry; Controlled Associations, in the

oils and fats industries, with a special constitution and with Government supervision; Advisory Councils, nominated by Advisory Committees and Associations; and Executive Boards and Committees, e.g. the Wool, Cotton, and Flax Boards and the Flour Mills Control Committee, performing functions given them by the Government.[1]

The evolution of Government action was: bulk purchase with collective bargaining; centralised buying of raw materials, of the whole supply, i.e. for civilian and military needs, or only for the latter; the creation of one office for distribution of raw materials at determined prices, with conversion costing [2] as the basis of the placing of orders; unification and control by representative committees; and then the application of methods used in meeting Army needs to private trade, standardisation of goods, fixed prices and profit limitation by the costing system. Government ownership was of a special character. Government intervention was mainly the assumption of financial responsibility for the results of control and use of plant for its own purposes, and "commercial" control. The system was one of control of purchase and sale rather than centralised and unified ownership and management as the basis of control of buying and selling.

Government interference was greatest where industry was least highly organised.

War-time Government trade involved the prevention of the wholesale trader, broker, factor, salesman and commission agent and middleman from performing their normal functions; but the co-operation of merchants and middlemen was found to be expedient. Traders acted as Government Agents in various ways: through Individual Agency Agreements, e.g. for British Wool, Manila Hemp and Russian Flax; Collective Agency Agreements, e.g. London Wool Brokers' Committee, Wholesale Meat Supply Associations, and U.K. Oilseed Brokers' Associa-

[1] Lloyd, op cit, Chap XXVII.

[2] I e determination of a fair margin to be added to the price to be paid for the raw material or semi-manufactured article, to represent the selling price which the manufacturer should receive.

tion; Controlled monopolies, e.g. for tobacco, petrol, and London Milk distribution; semi-official trade organisations, e.g. Butter and Cheese Import Committee and Smithfield Control Board; and Official Distributing Machinery (less used), e.g. for jute, and the Margarine Clearing House, which, though it had manufacturers on its Board, was staffed by, and used an office of, the Food Ministry. During this period the distributing trades were organised like professions, operating on the nation's behalf, under stated rules and agreed fees. They became, like the best accountants, brokers, wholesalers, and auctioneers, more and more "professional" and "profession conscious".

The Government control practised was initiation and direction by permanent officials, but execution by business men; and the Government's work of control was aided, nationally and locally, by Committees, representing various interests, including labour.

A policy of allowing as much decentralisation as possible was pursued. Autonomous bodies were set up in two cases; detailed application being left largely to the trade, to representative bodies in co-operation with Government Departments. Thus the Department of Wool Textile Production had its headquarters at Bradford, the Board of Control comprising equal numbers of representatives of the War Department, Industrial and Commercial interests, and labour—much autonomy was given within the limits imposed by the Military Supply Department. The Cotton Control Board, in Manchester, had representatives of industry and labour and two nominees of the Board of Trade. Attached to the controlling organs were Advisory Committees of business men. An Agricultural Council, representing producers and consumers, was attached to the Ministry of Food.

At first British Committees interested in directing war industry were concerned with making production meet war demand, and not with prices. These were committees of industry itself, and not of the Government as

representing the public—unlike what happened in the U.S.,[1] which refused to let men controlling industry be financially interested in the branches under their control. Under pressure from the Foreign Mission of the United States War Industries Board, however, the Government had to bring certain committees for commodities in respect of which there was a world shortage, under its control and make them represent the common weal. A special Minister, without portfolio, directed these industrial committees, on which the United States got representation.

Like manufacturers' output, agricultural produce was requisitioned at fixed prices.[2] Systems of monopolistic, centralised purchase, distribution and sale were set up: e.g. the Government organisation of officials controlling most British hay, the Army Forage Department of the War Office; a few Government officials using a whole trade as agents on commission, e.g. the meat and wool schemes; and a big combine, Government controlled and supervised, e.g. the United Dairies. Such systems were built up on the principle of having a single buying authority, a uniform schedule of buying prices, and one financial pool for averaging out costs and expenses of distribution and putting profits against losses. Organised instead of competitive marketing was the rule. Important work was done in controlling the standardisation, grading and valuation of agricultural products.

Various representative, advisory Committees of agriculturists were created, e.g. for wool, live stock, milk, feeding-stuffs and potatoes. On top of these was an Agricultural Council, "a deliberative and virtually a legislative body on agricultural matters";[3] to which all Ministerial Orders affecting agriculture were submitted in advance—and then were submitted to the Consumers' Council.

[1] See separate section in this chapter.

[2] I e. in the most important cases, guaranteed prices, neither maximum nor minimum.

[3] Lloyd, op. cit., p. 343.

The British Dominions

The Australian Commonwealth Government took over supplies of wolfram at a fixed price; with a view to their being sent to Great Britain to be dealt with by the Ministry of Munitions. It took similar action in regard to molybdenite; and the New Zealand Government took similar action concerning scheelite. The Canadian Government only allowed exports of molybdenite to Allied countries.

From the early stages of the war the Dominion Governments controlled wool exports. In 1915 and 1916, exports of cross-bred wool (most needed for military clothing) were almost confined to the Allies. In 1916, and later, measures were made for the sale of Australian, New Zealand and South African (in part) clips to the British Government.

Canada [1] set up an Imperial Munitions Board, under the Ministry of Munitions. A Munitions Board was set up in India, to organise, as far as possible, the country's resources, and to unite the various purchasing departments as a single organised machine enabling larger-scale buying and preventing competition in buying between Government agencies. In India, prices of certain commodities were limited by Government action.

Russia

Government economic activity during the war, before and after the Revolution, is well described by the late Professor S. O. Zagorsky.[2]

State control of industry was exercised through central Government offices and special *ad hoc* committees, including official and unofficial representatives, attached to the Ministry of Commerce and Industry. The former comprised the Special Council for Defence and the Special Council for Fuel Supply; the latter, special committees to control such industries as cotton, linen, wool, leather

[1] A Food Controller was appointed on 19th June, 1917.

[2] See *State Control of Industry in Russia during the War*, New Haven, 1928

and paper. There was a Central War Industries Committee Unofficial war industries committees and unions of local authorities also helped in mobilising the nation's economic resources.

The Special Council for Defence chiefly controlled the metal industry and the metal market. The Special Council for Fuel Supply controlled coal distribution and the petroleum industry. Various forms of Government intervention were introduced, successively: regulation of prices, distribution of raw materials, fuel and manufactured goods, distribution of orders and of purchases, control of production and of sale of produce, elimination of middlemen, distribution of raw and semi-manufactured materials at the disposal of the industries' committees among the factories and mills. Eventually all industry was State-controlled.

This machinery functioned until the Revolution in 1917. Then, although various committees were retained and modified in composition, many changes were made including the abolition of the Special Council for Defence.

Control of food supply was in the hands of a Special Council for Supply and its local Commissioners until the Revolution in March, 1917, when a new Food Committee was appointed and local Commissioners were replaced by democratically-appointed provincial food committees. Other changes followed; and in June, 1917, an Economic Committee and a Supreme Economic Committee were created to plan State economic activity.

Before March, 1917, State control operated under the bureaucratic conditions of the old régime. There had been Government control of trade and industry, but mainly by a regulation of the conditions of the market and of industry, without eliminating the commercial class. After 1917, their elimination was sought, and private commerce was severely restricted and limited. Socialist parties fought these classes by their monopolies of the grain trade, sugar, coal, leather and textiles and by their transfer to the Government of the supply of essential commodities to the people. The first Revolutionary

Government, however, was unable to master the situation and many of its measures were never operated. Economic machinery was disorganised until the Second Revolution occurred.

United States

A 1917 Act and Executive Order created a United States Food Control Administration, with Mr. Hoover as Food Administrator. Under it was set up a Food Administration Grain Corporation[1] to maintain the guaranteed price of wheat, and to buy and sell wheat, flour and other cereals (which was the source of supply for Allied Governments henceforward). When this Administration ended in 1919, the United States Grain Corporation was formed as its successor.

The Sugar Equalisation Board, under the Food Administration, bought the Cuban and United States crops of sugar in 1918 and superintended distribution of supplies in the United States and to the Allied Governments.

Prior to the formation of the Sugar Equalisation Board an International Sugar Committee was formed, two members representing the English, French and Italian Governments, two, American refiners, and one the United States Food Administration. It agreed, in December, 1917, to buy the bulk of the Cuban 1918 crop at a given price; one-third of the amount to go to the Royal Commission on Sugar Supplies for the Allies. This Committee also was to undertake distribution of the United States beet sugar.

This voluntary agreement was inadequate; so Mr. Hoover got the President to create the above Board in July, 1918, which made the advance purchase of the Cuban 1918–19 crop and distributed it and controlled sugar prices. It allocated supplies to industrial users and domestic consumers: supplies were limited.

The Division of Co-ordination of Purchases, under the Food Administration, was the organ through which

[1] The U.S Treasury paid for the capital stock of $50 million

all food purchases by the Allies, except cereals and sugar, were allocated.

The Food Administration was notified of Allied Governments' requirements in respect of all food (except grains, flours and meals) by the Joint Allied Provisions Export Commission.

Shortly after this Division was formed (on 24th October, 1917), a Food Purchase Board was formed representing the Secretaries of War, the Navy, the Federal Trade Commission and the Food Administrator. It co-ordinated food purchases of the Army, Navy and Marine Corps.

The American Relief Administration was formed by the Government, via Mr. Hoover, as an official body to handle the allocation and distribution of relief furnished by the United States Government. The Food Administration Grain Corporation co-operated in buying and shipping all relief supplies distributed by this Relief Administration. Its London Office looked after all shipping activities in European waters and dealt with European Governments.

Soon after the United States entered the war the Council of National Defence and the Exports' Administration Board (forerunner of the War Trade Board) exerted considerable control over food exports.

In August, 1917, a Purchasing Commission was appointed by the Treasury to co-ordinate all Allied purchasing; prior to which all Allied food purchases were made after consulting Mr. Hoover.

A United States Committee directing all Allied purchases of food and feeding-stuffs, was a condition of United States Treasury loans to them. The Food Administration Grain Corporation exercised this Committee's function in respect of cereals and cereal products.

The above-mentioned Grain Corporation had to ensure an equitable supply of wheat to United States mills, and control prices at which flour and other products were sold by mills to consumers. It also controlled all cereal supplies for export to Allied and neutral Governments;

under the authority first of the War Trade Board, which licensed food exports only as approved by the Food Administration; and second from the Treasury.[1]

The Allied Wheat Executive had buying organisations in every country: in the United States it was the Wheat Export Company Inc., to which the Grain Corporation sold the cereals and cereal products for the Allied countries.

In December, 1917, the Government seized the railways. During the summer and autumn of 1917, the Government formed the Food, Fuel and Railroad Administrations, the Shipping Board and the War Trade Board, by Acts of Congress.

Requisitioning of shipping started in 1917. In 1918, a Shipping Control Committee took charge of the merchant marine and decided whether ships should sail or stay in port.

Speaking of American industry and its control by the Government during the Great War, two American writers[2] say:

> The whole effort had to have unity of direction, control with absolute power behind it. .. There was indeed within the War Industries Board a giant hand of power and might gloved in velvet. . . . The War Industries Board mobilised and developed the supplies of raw materials, established and enforced a priority system which gave the war activities a regulated access to these materials, distributed materials and labour equitably among the projects which gained the priorities, fixed prices for many of the more important commodities, conserved materials, and did these and many other things successfully. . . .

Mobilisation of war industry was begun by the Council of National Defence, a branch of the Government, set up by an Act on 29th August, 1916,[3] "to co-ordinate in-

[1] See above Purchasing Commission

[2] Crowell, B, and Wilson, R F. *How America went to War*, 6 vols.; volume entitled *The Giant Hand Our Mobilisation and Control of Industry and Natural Resources, 1917–1918*, pp. 12 and 15

[3] There had been formed, however, a Naval Consulting Board's Committee which made a comprehensive survey of some 18,000 industrial plants through-

dustries and resources for the national security and welfare". It comprised six Cabinet Officers, the Secretaries of War, the Navy, Interior, Agriculture, Commerce and Labour. It had an Advisory Commission, a group of business and industrial experts nominated by the Council and appointed by the President. Committees within this Council took root as new entities; becoming the antecedents of such bodies as the United States Food Administration, the United States Fuel Administration, the United States Railroad Administration, and, above all, the War Industries Board. The short-lived General Munitions Board was formed within the Council, on the outbreak of war, to co-ordinate Army and Navy purchasing. On 28th July, 1917, after four months' life, it was superseded by the War Industries Board, formed, at first, as part of the Council of National Defence.

A vital part of the Board's work was that of the commodity sections, which sprang from the Committee on Raw Materials, first created within the General Munitions Board. Eventually there were fifty-seven of these sections. At first they dealt only with raw materials; but later with finished products too. They eliminated competitive buying by Governmental bureaux. Government and producers became partners; in each section all official agencies which purchased the particular commodity were represented.

On 4th March, 1918, the Government invested the War Industries Board with plenary powers. It was formally separated from the Council of National Defence and made independent and responsible, as an administrative agency, to the President, on 28th May, 1918.[1] It unified all industry.

The Food Administration depended upon it for tin for food containers, for fertilisers and tools for the farms, and for machinery

out the country, and the Kernan Board, appointed by the Secretary for War, to investigate the nation's munitions resources, to advise the Government on its manufacture of arms, munitions and other war equipment

[1] By the President's letter to Mr. Baruch, 4.3 18, appointing him Chairman and specifying the Board's powers and duties, and by the Executive Order of 28.5.18, following the passage of the Overman Act, 20.5 18.

for the food-packing establishments. The Fuel Administration looked to it for mining machinery and for priorities upon which it delivered coal. The Railroad Administration was guided by its traffic priority decisions, and also depended upon it for steel and for rails, locomotives and rolling stock. The War and Navy Departments leaned heavily upon it in the tremendous production of munitions; and industry as a whole found in it the agency that at last brought about co-ordination of the entire effort in war materials. The effective duration of the Board's existence was only six months; but they were six of the most crowded, momentous and vital months in American history.[1]

The Board was created "to control and regulate industry in all its direct and indirect relations to the war and to the nation".

The overwhelming and comprehensive authority vested in it are reflected in President Wilson's letter to the Hon. B. M. Baruch, in inviting him to become Chairman, dated 4th March, 1918:[2]

The functions of the new Board should be:—(i) the creation of new facilities and the disclosing and, if necessary, the opening up of new or additional sources of supply, (ii) the conversion of existing facilities, where necessary, to new uses, (iii) the studious conversion of resources and facilities by scientific, commercial and industrial economies; (iv) advice to the several purchasing agencies of the Government with regard to the prices to be paid; (v) the determination, wherever necessary, of production and of delivery and of the proportions of any given article to be made immediately accessible to the several purchasing agencies when the supply of that article is insufficient, either temporarily or permanently, (vi) the making of purchases for the Allies.

Food and fuel were administered separately; but it had basic relations with them, as they needed materials which it controlled. The Chairman was to be guided by a priorities organisation in determining priorities of production and delivery, and, for the latter also, by a Committee of official representatives of the Food, Fuel

[1] Crowell and Wilson: *How America went to War, The Giant Hand,* pp 34–5.

[2] *American Industry in the War,* pp. 25–6.

and Railway Administrations, and the Shipping and War Trade Boards.

In determining prices the Chairman was to be governed by the advice of a Committee comprising himself, members of the Board charged with studying raw materials and manufactured products, the labour member, the Chairman of the Federal Trade Commission, the Chairman of the Tariff Commission and the Fuel Administrator.

The Chairman was to be constantly and systematically informed of all contracts, purchases and deliveries: thus to have before him a picture of business progress in all supply divisions of the Government in all departments. He was to act for the joint and several benefit of all the Government's supply departments; assist where necessary, e.g. in allocation of contracts, in obtaining access to raw materials in any way pre-empted or in disclosure of sources of supply; to smooth competitive or other conflicts of interests; and

> to anticipate prospective needs of the several supply departments of the Government and their feasible adjustment to the industry of the country as far in advance as possible, in order that as definite an outlook and opportunity for planning as possible may be afforded the business men of the country In brief, he should act as the general eye of all supply departments in the field of industry.

Here, indeed, is the forerunner of the National Economic Council and of the principle of comprehensive national planning which must inspire its work, which present-day peace problems urgently require.

American industry ceased to be ruled by the law of supply and demand and by free trade, under the pressure of war-time economic necessity. When the Government took control of industry, immediately it took charge of the right of "priority", to control it, direct and administer it. "It was equivalent to a declaration of martial law in industry, and liberty fled from American mines and workshops before the Government's assertion of 'eminent domain'." Essential war interests were put on rations by dictating their priority of access to the limited facilities,

and also by controlling the priorities of the essential civilian demands; and this control of industrial priorities affected price stabilisation, aiding the Board in fixing the chief prices. Elimination of competition among buyers and creation of competition among producers, gave the Board the power to control prices. The Board's bureaux had a purchasing monopoly and prices tended to be based on production costs. The Board had a priorities commissioner. The direction of priorities meant the application of true economic principles to U.S. economic life, determining the relative essentiality of industries, and whether it was more important to have this or that commodity or product produced. Stimulation and expansion or depression and curtailment of production of materials was performed by regulation of the basic economic elements, facilities, materials, fuel, transport, labour and capital. Priorities were controlled in non-war as in war industries. The climax of the Board's intervention in economic life came with the publication of its building construction circular, preventing the building of a barn, a silo, a new bank or business premises, new railway terminals, a new public building, a private dwelling-house, or any private building or even a church without Federal Government (i.e. the Board's) permission. The protests of the lumber industry, cement producers, brick-makers, jobbers and retailers of building materials and building trades-unions were in vain.

The Board undertook a great task of industrial conversion, through its Resources and Conversion Section, and of conservation, through another special Division.

The whole of industry was explored and catalogued and viewed as a whole. Plants were adapted and transformed. Resources were conserved by standardisation.

The Price Fixing Committee fixed prices; but these were administered by fifty-seven commodity sections. Prices were fixed after consultation with the trade. There was no legislative authority, however, as in the case of the Food and Fuel Act which governed the fixing of prices for food and fuel. Moreover, whereas the Food

and Fuel Administrations took the initiative in price fixing, this Committee fixed prices only when Government agencies requested it to do so, or, more rarely, when the Government used so much of a commodity that price control became necessary.

The fifty-seven commodity sections had the co-operation of industry, as designed by the Chairman of the Board, through war-services committees, formed by the United States Chamber of Commerce, representing each major branch of industry. The sections' chiefs met once a week. They absolutely controlled some industries, and advised, stimulated and aided others. They gathered and systematised information, learned everything possible about production and the possibilities of future production, and then operated the necessary plans to make possible production equal to probable demand. Questionnaires were sent out and complete surveys of whole industries made. If necessary the Board could commandeer an industry. Through these sections the functional divisions of the Board—Conservation, Priorities, Price-fixing, Requirements, Labour and Allied Purchasing—got their information.

The commodity sections dealt with raw materials, semi-finished materials and finished products.[1]

The Board's foreign activities were in the hands of its advisory Foreign Mission, which represented it in international industrial conferences affecting the United States.

[1] Here is a list of the commodities covered. iron and steel; copper and brass; ferro-alloys; tin, aluminium, lead, nickel, quicksilver; antimony, platinum; nitrate of soda, sulphur and pyrites, acids and heavy chemicals; alkali and chlorine, ethyl alcohol; cotton linters, explosives, artificial dyes and intermediates, industrial gas and gas products, including toluol, saccharine, acetylene and oxygen, creosote; tanning materials and natural dyes, paints and pigments; wood chemicals, miscellaneous chemicals, refractories, ceramics, electrodes and abrasives; chemical glass and stone-ware; asbestos and magnesia, mica; medicinal supplies, tobacco, lumber, building materials, wood products (not including wood chemicals); pulp and paper, cotton goods, wool; knit goods, felt; silk; flax products, jute, hemp and cordage; hides, leather and leather goods; rubber and rubber goods; machine tools; forgings, ordnance small arms and ammunition; hardware and hand tools, cranes, chains, military optical glass and instruments; automotive products; railway equipment and supplies; stored materials, fire prevention, power; and electrical and power equipment.

Several international executives to buy war commodities for international purposes were formed, the first relating to nitrates.

In October, 1917, was formed in London, the International Nitrates Executive, a pooling arrangement in which the Allies and America dealt, as one purchaser, with the Chilean industry. The War Industries Board acted as the Executive's agent in America. At first the Executive planned to do the united buying in Chile and re-sell to the contracting countries; but it was arranged that each of the four chief United States importers authorised by the Board to act as American buyers should buy a fixed percentage of the total amount allotted to the United States by the international pool at the pool's price. This Executive was so successful that the War Industries Board wanted to extend the plan to the purchase of other materials; so the United States initiated international industrial co-operation. Mr. Baruch protested that whereas Great Britain could buy United States materials at controlled prices, England was not selling to the United States at controlled prices: she was not controlling many industrial prices. Mr. Baruch insisted that, if United States financial help were to be continued, the English Government must serve the U.S. with her own controlled prices, and take under control certain commodities, fix their prices, and allow an American representative to sit on each Committee.[1] After objecting, in the case of jute that it was under Indian Government control, and being threatened with a United States attack on the Indian currency and Stock Exchanges, the British Government agreed to control the price of jute and asked a United States representative to sit on a special Board to decide its international price.[2]

The British Government agreed to sell wool to the United States Army at the same price as to the British Army.

Later an international tin executive was formed. The

[1] See *American Industry in the War*, p 92, and *The Giant Hand*, p 147

[2] *American Industry in the War*, p 94, and *The Giant Hand*, pp 147–8.

United States had no adequate native supply of tin whereas Britain had a very large control of resources. The British Tin and Rubber interests, entrenched behind a Committee of the Board of Trade, as a joint committee of the two industries, resisted, at first, the United States demand for international control; but eventually the British Government was compelled to separate tin and rubber and bring both under its control. Then the United States got representatives on these Committees; and a tin pool was created. The War Industries Board got the United States Steel Products Company to handle the tin deal, buy all tin allotted to the United States by the pool, distribute it as the Board dictated and charge no commissions or profits; the United States consumers getting it at the international price.

Then various other international Executives were discussed. The allocation and use of steel were decided by an international Steel Committee. Several committees were under the Inter-Allied Munitions Council.

At the time of the Armistice the British and United States Governments were thinking of forming international executives in tungsten, jute, rubber, leather, wool, manganese, platinum and flax.

The War Industries Board, when the war ended, was bringing about a unified control of industrial strategy by the Allied Governments.

The Board had to reverse its machinery after the Armistice was signed in order to demobilise industry and prepare it for normal channels. It was dissolved on 30th November, 1918; but, in submitting to the President a report of its work, on 24th December, 1919, Mr. Baruch, in an accompanying letter,[1] urged, *inter alia*: "that there should be created a peace-time skeleton organisation based on the experience of the war controlling agencies"; headed by a Chairman, who, in an emergency, should be empowered to co-ordinate and synchronise the country's economic resources; with whom should be associated the representatives of the Army,

[1] *American Industry in the War*, p. 9. See also, ibid, pp 96–100.

Navy or any other department vitally affected, e.g. Shipping Board, who should have centralised under them the various purchasing branches of their departments; and in which skeletonised organisation should be a vice-chairman, a secretary, a counsel, and members in charge of raw materials, finished products, facilities, prices, labour, planning and statistics (during peace-time under the Department of Commerce), priority and conservation; under which should be various section or commodity heads; which peace-time organisation should meet annually, discuss plans and the world situation; and each sectional head would name committees in each industry; so that quickly, in an emergency, the nation's resources could be mobilised.

This kind of organisation also pointed to the National Economic Council that nations need now; and words in the first chapter of Mr. Baruch's Report of his Board's operations—referring to: United States citizens' "skill in making 'natural' wealth minister to human needs"; "unselfish patriotism which prompted every individual to do or refrain from doing, according to his lot, for the accomplishment of the common purpose"; and the Board's regulation of "the use by the civil population of men, money and materials in such a way that civilian *needs* not merely civilian *wants*, should be satisfied"[1]—breathe the spirit which the present peace emergency needs for the animation and direction of economic life.

In his Report to the President, moreover, Mr. Baruch made some further striking remarks. The experience of Government control, through the Board, he said, suggested the imperious necessity of revising certain normal business practices and of increasing the measure of Government intervention in industry, to prevent the worst evils of competition and unrestrained mass industrial power in big organisations. Industry had come to learn the value of organised co-operation, for the first time. The new big industrial combinations and organisations should be supervised by the Government, to prevent

[1] Pp. 19 and 29.

business men from succumbing "to temptations to conduct their businesses for private gain with little reference to general public welfare".[1] These combinations, he said, could carry out purposes of the greatest public benefit or of greatest public disadvantage. Some Government agency, such as the Department of Commerce or the Federal Trade Commission, with constructive as well as inquisitorial powers, should safeguard the public interest, and supervise

> co-operation and co-ordination in industry in order to increase production, eliminate waste, conserve natural resources, improve the quality of products, promote efficiency in operation and thus reduce costs to the ultimate consumer[2]

He was quite clear in his mind that these highly desirable results would not flow from a return to uncontrolled private enterprise.

(2) Neutral Countries

The Netherlands

It is instructive to examine the methods of economic control which neutral countries were compelled to adopt. Take Holland, for example.

The Government started by controlling imports of raw materials and regulating exports. Later it came to control home production to adapt it to the people's needs. For example, it controlled the area under flax production.

Various special organisations were formed for exercising Government control. Thus, under the Ministry of Agriculture, Industry and Commerce was formed a special Crisis Department, subordinate to the Ministry, around which were grouped various Bureaux, e.g. Bureau for General Problems, Bureau for Crisis Communications, Transport Bureau, Expropriation Bureau, Bureau for Supply of Industries, Bureau for the Civilian Supply of Food Products, Agriculture and Horticulture Bureau, Shipping Bureau. Various special Commissions,

[1] P. 99.

[2] Ibid., p. 100.

Bureaux and Companies were formed, e.g. Central Government Administration Bureau (for distribution of foodstuffs), Fertilisers Commission, Iron and Steel Commission, Soda Commission, Coal Distribution Bureau, Bureau for the Supply of Grain and Flour and for the Sailing of Vessels, Royal National Relief Committee, Special Export and Import Companies. A host of special bodies was initiated by the Government to cover a vast number and variety of commodities. Four hundred and seventy-five fuel committees operated. There were Government Commissioners in the Provinces supervising grain collection; eleven provincial Bread Committees; a production bureau for each province; a national and provincial Fodder Offices; a central, and eleven provincial, Hay Offices; interior navigation services; provincial Government butter collection services; various commissions for Government regulation of prices; a commission for refrigeration and cold storage plants; housing regulation services. Thus is indicated

the extent of the Government's intervention and the degree in which it was necessary to interfere with the unrestricted industrial life of the Netherlands; and this interference had constantly to be widened and deepened as the scarcity of all kinds of commodities became more and more oppressive.

Government adaptation of production to the needs of the population came to cover not only agriculture and horticulture, cattle-breeding, the dairy industry and fisheries, but also industry, and especially raw materials. In 1918, a special law ordered some grassland to be ploughed up; which was preceded by instructions regarding the limited cultivation of marketable crops and the growing of certain foodstuffs.

The Government commandeered many foodstuffs to supply the people and regulated the entire production and distribution of the principal varieties. It abolished unrestricted trade in agricultural products; bought the entire harvest and distributed it.

It took measures to obviate price inflation in regard

to articles in daily use, and to check the withholding of supplies. Meal and flour mills worked at the Government's expense; and after 1917 distribution of bread was introduced and sales were under Government control. Bakeries were entirely controlled by official distribution and their activity was determined according to the sort of bread and the amount of rations dictated by the Government.

Early in the war and in April, 1918, the Government prohibited export of cocoa and chocolate.

The Government for a long time rationed sugar and glucose, allotting enough to keep the confectionery industries going.

In 1917, the Government regulated the cultivation of vegetables, to protect the food supply. It controlled the national trade in beet sugar. It prohibited export of sugar and owing to fuel shortage forbade sugar refining. It refused to place barley at the breweries' disposal for making beer.

The Government practically limited the production of potato flour: potatoes had to be used as a foodstuff for the people.

The Government controlled exports and domestic prices of dairy produce.

In 1918, the Government ordered abattoirs to refrigerate meat to provide against a future food famine. Tobacco exports were forbidden in 1918, and regulated before that date.

The Royal National Relief Committee appointed a Coal Committee in 1915, representing the Government and leading importers of coal, mining directors and consumers, to promote supply to consumers and check inflation of prices. This committee established a Coal Office to distribute available supplies at one fixed price. In 1916, the Government introduced Coal Distribution and controlled economical burning. In 1917, the Government formed the Central Clearing Office for Fuel, a private limited company, on a co-operative basis, contemplating no profit and managed by a Board

of Directors representing the big consumers, the Government, the municipal authorities, the leading Chambers of Commerce and the Government Coal Distribution. This office financed the fuel monopoly. All fuel furnished from abroad or produced at home was delivered to it at prices approved by the Government Coal Distribution which indicated the consumers. This latter body was discontinued in 1921.

From November, 1914, onwards, imports were entirely placed in the hands of the Netherland Overzee Trust Co., in appearance a private body, but actually under Government direction. It did not work for profit and did no business on its own account. It guaranteed that such goods as it let merchants have consigned to it from abroad, and articles to be manufactured for them would be used solely in the Netherlands or her colonies, or neutral States. A 1917 law was intended to give the Government central management over goods traffic with foreign countries. The Netherlands Export Company was formed in October, 1917, as a semi-official Company to control all exports. It was a public utility company, with limited profits. It endeavoured to bring production and consumption under Government control and to accumulate stocks of provisions and other commodities. It made agreements with Allied Governments. The Government granted credits to them and also guaranteed credits to Germany and Austria-Hungary in respect of goods required. It carried out transactions for the State which took profits and risked losses, through agreements with Allied Governments. "All these regulations interfered drastically with the ideas of liberty prevailing in the commercial and shipping circles."

In August, 1914, the Government counteracted the inflation of prices and accumulation of stocks of victuals, fuel, etc., by inserting in the Expropriation law articles by which Burgomasters, following a proclamation on the danger of war, with Government sanction, could place an embargo on provisions, raw materials for the preparation thereof, domestic commodities and fuel.

These products thus put under embargo as the Burgomasters might determine, were put at the disposal of inhabitants of communes or business establishments at a maximum cost fixed by the Ministry.

From 1917 to 1920, there was State insurance against foreign interference with Commerce. A 1916 Act ("Ship-Export" Law) forbade the transfer of Netherlands ships to foreigners or foreign countries without Government approval. The 1917 Law on Commandeering Ships interfered in the free exercise of the shipping trade; and the Government controlled space required for transporting goods bought by it for the people: the Government could commandeer the entire space of a ship. Freight rates were fixed by the State, which also dictated routes.

A Company was formed with State participation (The Royal Blast Furnaces and Steel Works) to establish blast furnaces and manufacture steel.

Two laws passed on 3rd August, 1914, authorised the Government to seize home stocks, prohibit exports and fix prices. On that day the Government published a long list of commodities the export of which was prohibited. On 4th August, 1914, maximum retail prices were fixed for essential commodities.

Government intervention in distribution began with grain and then extended to coal. In 1916, a General Distribution Act regulated the growing State activity in this direction.

> Henceforth the inhabitants of the Netherlands lived under an extensive system of distribution of raw materials and products which superseded a large part of commerce and caused industry to be controlled; but which, on the other hand, made it possible to divide the stocks among the entire population fairly equally and at the lowest reasonable prices.

Rationing of cereals stopped in May, 1919; imports of grain were freed from Government supervision in October, 1920.

Switzerland

In Switzerland, the organisation of the supply of raw materials was performed through the Swiss Economic Supervision Company, from 1915 to 1919, which controlled import and export of goods. It devolved functions upon other bodies like, for example, the Swiss Co-operative Company for the importation of metals; under the strict control of the former body; and on a non-profit-making basis.

(3) Austria-Hungary and Germany

Austria-Hungary

At the end of the war, in addition to the Food Ministry Office there was a General Commissariat of War and Transitional Economy, dealing with industrial raw materials, which later was transformed into a State Office and then incorporated in the Ministry of Commerce, Trades, Industry and Construction.

For the application of collective economy in industrial raw materials, there were economic associations, autonomous organisms for certain branches of industry, placed under State supervision, of an obligatory character, exercising no commercial functions and having an autonomous administration. All branches of the industry in question came within the association, which assembled statistics and presented an exact account of the position of production, stocks, etc.; provisioned different establishments with raw materials; and sometimes went even farther; thirty such associations covered industries such as metal, cotton, wool.

Where commercial tasks were necessary in making the régime of collective economy effective, attached to the economic association was a "Centrale", sometimes in the form of a Joint-Stock Company, sometimes as a Limited Liability Company, as an auxiliary organ of State Administration. There were about sixteen such bodies; their powers varied according to the products

concerned. In some cases the State was only concerned to distribute certain articles of consumption according to the urgency and importance of the need to be satisfied; in others it covered the whole range of operations, e.g. seizure, storage, compulsory sale at a fixed price.

A system of individual ration coupons was used to distribute the limited food supplies.

Germany

The War Ministry accepted Mr. Walter Rathenau's plan for the creation of a Raw Materials Section. In his study, entitled *The Provisioning of Germany in Raw Materials*, submitted to a Conference in 1917,[1] he says, "A decisive step has already been taken in the path of State socialism; traffic in goods is no longer left to the free play of forces, but submitted to constraint." Then he explains how War Raw Materials Companies were formed, and placed under strict official supervision. Imperial Officials and Ministers had the unlimited right of veto.

They could not distribute dividends nor go into liquidation; and, besides the usual organs of a joint-stock company, directors and a supervisory Council, a supplementary organ, an independent commission directed by members of the Chamber of Commerce or Government officials, a Valuation and Distribution Commission was formed.

> Therein, is an intermediary organisation between the joint-stock company, incarnating the free form of the capitalist economy, and the administrative organism; there is a form of economy which is perhaps a precursory sign of the future.
>
> The task of these companies was to unite in one body the circulation of raw materials and to regulate it so that each centre of production should be provided with the material according to the proportions officially arranged, and at fixed prices and on fixed conditions.

Depleted supplies of food were made to go round by means of individual ration coupons.

[1] Outlined in *Enquête sur la Production* (Tome V, Vol. I), I.L.O., pp 17–27.

CHAPTER IV

TOWARDS COLLECTIVE ECONOMY IN BASIC SERVICES

FEW people are aware of the extent to which the principle of collective intervention in basic industrial services has been applied. Some years ago it was estimated that about two-thirds of large-scale British economic organisation was no longer run on the basis of unregulated private profit-making. That proportion is larger to-day.[1] Sir Arthur Salter says that, in Great Britain, "we should be able to bring more than half the country's economic life under public ownership and management".[2]

As indicated in a previous chapter, the same movement, sometimes at a more rapid rate, and in a larger and more organised form, is occurring in other countries. A striking tribute to this movement was paid in an important

[1] Public works and public corporations and municipal bodies alone play a very important part Compare this extract from a speech by a Conservative M.P, Mr Boothby, in the House of Commons (*Hansard*, Vol 296, No 24)

"What is not generally realised is the extent of the 'socialised sector' in the economic structure The key point, capital development, is very largely controlled by public authorities, both national and local. Public works contracting alone provides occupation for more men than either the steel industry, the motor industry, or the cotton industry This is entirely under public direction There are very nearly as many builders as coal miners and these are naturally, in spite of the revival of private building, very dependent on the policy of local authorities When to these are added the powers for expansion of plant possessed by such authorities as the Central Electricity Board, the Metropolitan Water Board and the Post Office, and the development of public utilities under municipal control throughout the country, the immense power of public authorities in stimulating capital development becomes evident It is in this direction that we must now look for a further reduction in unemployment—and the Government, as the prime motive force, must set the example."

[2] In a broadcast address in the B B C. "Poverty and Plenty" series See *Daily Herald*, 11 12 34.

leading article in *The Times*,[1] commenting on an interesting debate in the House of Lords on an amendment moved by Lord Allen of Hurtwood to a motion by the Labour Peer, Lord Sanderson, on collective organisation of industry.

The present depression has provided a very fertile soil for collectivist proposals.[2]

It is worth while glancing at a few of the most important basic economic services, to get a picture of this movement. Let us look, in turn, at: Land, Agriculture and Forests; Water Power and Electricity; Railways; and Banking, Finance and Credit.

(*a*) Land, Agriculture and Forests[3]

Mr. Shirras[4] says that "the history of land policy in Australia illustrates the two great dangers in free access to land—speculation and monopoly, with the crushing out of the small man by the capitalist agriculturist or pastoralist". He suggests that the probable solution may be compulsory repurchase of private land by the State to settle the landless small farmer. It is this type of effort that the State has undertaken since the Great War in European countries (largely in Central and Eastern Europe) which have had agrarian reforms—Poland; Baltic countries such as Lithuania, Latvia and Esthonia; Russia; Roumania; Greece; Bulgaria; Yugoslavia; Hungary; Austria; Ireland; Czechoslovakia; Albania; and Spain.[5] In 1935, Ecuador Congress passed

[1] 25 3 35, "The Silent Revolution".

[2] Cf *American Economic Review Supplement*, March, 1931, p. 7 Broadus Mitchell, in a conference on "The Decline of Laissez-faire".

[3] See, *inter alia*, W Wauters *La Réforme agraire en Europe*, Brussels, 1928; L E Textor *Land Reform in Czechoslovakia*, London, 1923; D. Mitrany: *The Land and the Peasant in Roumania. The War and Agrarian Reform, 1917–1921*, London, 1930, and *Industrial and Labour Information* (I.L.O. Weekly), files

[4] In *The Science of Public Finance*

[5] The Spanish legislation is the latest a 1935 Act, modifying in certain respects a 1932 Act. Both Acts provide for the expropriation of the large estates of the Grandees Provision is made, *inter alia*, for peasants who have tilled rented lands for ten years to become proprietors; by purchase, spread over fifty years, of lands from the Institute for Agrarian Reform Land

an Act empowering the State to expropriate all unused private land, if it has remained unexploited for three consecutive years. The State, private individuals or co-operative bodies can institute expropriation proceedings. Such land must be made available to the rural population. A 5th May, 1936, Paraguay Presidential Decree provided for the expropriation of 4 million acres of unused land to be distributed among peasants.

Agricultural development, thus, in recent years, has been under the powerful impulses of this agrarian reform movement. Actual nationalisation of the land, as generally understood, has not proceeded very far in Central Europe; but many interesting experiments have been made and reforms introduced, which tend greatly in that direction. On the whole, outside Russia, the combined farming of certain areas by groups of workers acting in common is modern agriculture's nearest approach to collectivist exploitation. Events in Italy are especially interesting because there the movement was pre-war and quite spontaneous, with very little, if any, legislative encouragement; also it marked a more positive abstention from any kind of private ownership than in any other form of agricultural exploitation.

Violent political controversy occurred in Czechoslovakia on the subject of group exploitation. Whereas the Socialist parties were extremely anxious to allot the new holdings only to combined groups, the Agrarians pressed for purely individualist exploitation. The collectivist idea was that each cultivator should have his own piece of ground and his own dwelling, but that his methods of cultivation should be agreed upon in common

purchased under the scheme cannot pass into other hands until half the purchase price is paid, to protect peasants from moneylenders See *The Times*, 24 8 35 The Spanish Government, in March, 1936, announced the derogation of the provisions of this 1935 Law indemnifying the Grandees for confiscation or returning their estates to them In March, 1936, the restored Catalan Government restored the 1934 land contracts law, giving cultivators as much of their landlords' land as they and their families can till, if they have cultivated it for at least eighteen years Lands were restored to dispossessed peasants In 1936, the Spanish Government planned to spend 100 million pesetas, to aid land reform.

with the others in the group, the seeds, fertilisers, machinery and sales and purchases being obtained by combined effort. The struggle between the two parties resulted in a compromise. Czech legislation on agrarian reform contains clauses permitting such group action; but it is not compulsory, and there are only a few of these co-operative societies. Nevertheless they are more important than their numbers indicate; and it is considered probable that the Government will encourage such settlements in developing unsettled areas. Such collective activity varies from practically full co-operation to a mere selling co-operative. Likewise very little has been achieved in the shape of collectivist exploitation in Esthonia.

A very widely held view concerning the new agrarian reforms in Central and Eastern Europe is that group cultivation is a necessity; and the success of these developments will depend upon the acceptance or rejection of some form of combined action among cultivators who are too weak, as individuals, to overcome their difficulties.

The collective cultivation of the soil will take time to achieve. It exists only to a small extent outside Russia and some Palestine communities. In Russia, however, in 1934, 74 per cent of peasant farms had been collectivised; and by 1937, no more individual farms were to remain.

Examples of collectivist cultivation of the soil, because of religious conviction, are the Dukhobors.

The common exercise of pasture, woodland and other rights without actual ownership of the soil but with a well-known historical origin, is very important in some countries, and is a kind of collectivist exploitation. In Italy the practice is extensive.

In Germany, Austria and Hungary large-scale estates are not condemned, whereas in the other States they are, on principle.

In Poland, Roumania, Czechoslovakia and Lithuania, large estates are sequestrated as soon as the requisite

legislation is passed. In Czechoslovakia, the Act of 12th February, 1920, enforces certain duties upon proprietors, where the State has legal ownership pending the actual acquisition. The 1918 Roumanian Act formed local peasant associations to look after the lands till the State distributed them.

Most of the reforms have provided for assistance being given to the Settlers, by way of security of tenure, and easy credit facilities, preserving their economic independence.

Central European land reform also has considered the necessity of forming homestead dwellings near towns; they include a house and a small garden and are generally given to industrial workers and public service employees.

The various laws passed have sought to provide land for ex-service and disabled ex-service men and dependants of soldiers fallen in the war; workers on former estates; landless inhabitants in rural areas; former public service employees. Almost universally, the first group has been given preferential treatment; certainly in the following cases: German Homestead Act, 10th May, 1920; Austrian Land Resettlement Act, 31st May, 1919; Hungarian Act, 7th December, 1920; Czechoslovak Act, 30th January, 1920; Polish Act, 15th July, 1920; Roumanian Act, 17th July, 1921; Esthonian Act, 10th October, 1919; Lithuanian Act, 15th February, 1922.

Czechoslovak, Polish and Roumanian laws also give special prior rights to agricultural workers hitherto employed on the old estates, and also to students at agricultural schools.

The chief aim of land reform in Central Europe has been to create prosperous new small holdings, by a policy of national land settlement; although enlargement of existing holdings has been undertaken. Generally the object has been to build up a strong peasant class.

Extreme subdivision of the acquired estates has been found to be unwise and uneconomical. While smallholders usually expend a greater proportion of capital than proprietors of big estates, and division is therefore

profitable, the capital required to produce a full development is difficult to obtain by single and isolated holders; therefore co-operation has been generally encouraged.

Certainly efforts are being made to spread collectivist ideas and practice among the peasantry; but a tremendous effort is necessary to educate the peasant, although the important fact is that economic necessity seems to be tending to drive him, as it has driven industrialists on a larger scale earlier and is still driving them, though often with equally stubborn resistance, into forms of co-operative activity and organisation. Actual collective exploitation of land holdings may be as yet on a small scale, but the growth of co-operation among producers, in the provision of credit and other farm necessities, and in the sale and marketing of their produce, has made progress in recent years.

The Central European land revolution has been a most striking manifestation of the tendency towards collective economy. Although individual ownership has not been eliminated, and has, indeed, in many cases been strengthened, the action taken has been initiated in the interests of the community and of the workers and poorer agriculturists; and private property and rights in land have been severely curtailed, in some cases with payment of only limited compensation, in the pursuit of a fuller measure of economic justice.

Though the peasant and his individualism, however, have robbed this evolution of its immediate fruition, the post-war land laws of Central and Eastern Europe are seen to have established the principle of collective economy. State ownership in principle, with private ownership only at the State's will, or a lease for a limited period or in perpetuity to cultivators, suppression of landed property for those who do not actually cultivate it, prevention of excessive subdivision, and of division by inheritance and letting, all are measures whereby the State puts its hand on private enterprise.

Considerable collective action in agriculture has occurred to an increasing extent. The growth of wheat

and other pools in Australia and New Zealand, of fruit pools in Africa, of wheat, fruit and dairy produce pools in Canada, and of fruit and other agricultural produce pools in the United States, as well as the growth of agricultural co-operation in Europe and the development of organised contacts between co-operative organisations of consumers and producers; all these pay tribute to the regenerating central idea of collective economy in agriculture, organised economic co-operation as opposed to individualism and laissez-faire. Such co-operative growths in agriculture in time must produce further forms of land co-operative and collective organisations, with or without State or other public aid. In this connection reference must be made to the amazing attempt made by President Roosevelt to control U.S. agriculture at every stage. The Government has sought to abolish the pure individualism of the U.S. farmer.

It is also a significant feature of agricultural developments in recent years that, as shown elsewhere in this study,[1] many Governments have taken drastic steps to limit and control the production of various crops, such as wheat and other cereals, cotton, tobacco, sugar, coffee, etc., and that, like private producers, they have also been driven to forms of international co-operation to control agricultural production and trade. Most European Governments intervene in some degree in the marketing of crops. Canada recently established a Grain Board. In December, 1935, the Argentine Government fixed a minimum price for wheat exported. The New Zealand Government has just passed (15.5.36) an Act giving the State complete control over the marketing of primary produce—beginning with dairy produce. All exported produce becomes Government property. Growers receive guaranteed prices.

As a British Official Report says with reference to the trend of evolution in agriculture: "There is a movement, world-wide in its scope, away from what may be called a 'Laissez-faire' system of trading between

[1] See Vol II, Chap III.

individuals, towards one resting upon large centralised trading organisations."[1] The socialisation of land and agriculture is a vital stage in collective economic development.

The significance of collective intervention is reflected again in another form of public land activity: the big schemes of land reclamation, in particular those promoted by the Italian Government, together with the population of reclaimed zones by internal migration.[2] The Netherlands Government has undertaken important reclamation work. In April, 1936, it decided to spend a further sum of about £10 million on a Five-Year Plan in the Zuyder Zee. Government also intervene in soil conservation. Consider the U.S. Government's vast efforts in this direction, through the Soil Conservation and Domestic Allotment Administration, arising out of the failure of the Agricultural Adjustment Administration of the President, and his new plan of crop reduction, payments to farmers related to soil conservation.[3]

The State, also, in certain Eastern European countries, has conserved for itself forest exploitation. In fact, forestry in most countries is carried on largely by the State and by individuals with State assistance. European Governments are in all cases owners of forests themselves. Here are some percentages of European forests owned by the State: Esthonia 86, Finland 80, Latvia 84, Yugoslavia 74, Russia 100, Roumania 38·6, France 36, Germany 33, Denmark 25, Poland 31·7, Sweden 33·2. Municipalities also are owners in certain countries.[4]

In India, the State performs wonderful forest work; while in the United States President Roosevelt has declared his intention to preserve and develop public lands and forests, along with other national resources.

[1] *Report of Committee on Stabilisation of Agricultural Prices*, Economic Series, No 2, Ministry of Agriculture and Fisheries, London, 1925.

[2] See, *inter alia*, C Longobardi *Land Reclamation in Italy*, London, 1936.

[3] See *News Chronicle*, 19 5 36, "America is Being Blown Away", by R. G. Swing, and his description of the movement towards "agricultural socialism" in the U.S.

[4] See *The Times Supplement*, 3 4 29, for interesting information.

Soon after becoming President he set up a Civilian-Conservation Corps, enrolling 300,000 unemployed for forestry and similar work. Recently he launched a gigantic afforestation scheme for planting a wooded belt 100 miles wide and 1,000 miles long, from the Canadian frontier to Texas; spread over ten years and involving the planting of 3,000 million to 4,000 million trees and the purchase and re-establishment of 100,000 square miles of agricultural land.

(*b*) Water Power and Electricity

The economic, social and even political importance of water is very great. Electrical development and the progress of technique are precipitating a great revolution which is forcing collective instead of individual utilisation. For many years the water system of a country, its sources, streams, rivers, lakes, while common property in a fundamental sense, had passed into the power of the "lords of the earth"; therefore, with the enormous growth of collectivist ideas and methods of production in recent years, legislation has been passed to ensure the State's "water" rights. Thus the idea of the "freedom of access to water" cannot now lead to capitalist exploitation.

Throughout the world public bodies of one kind or another are tending to exploit water supply, and to control the development of electricity in all its forms.

In Germany, since the war, Federal and State authorities have played a leading part in the development of the utilisation of water resources. In December, 1935, a Nazi Government law provided for State direction of the whole production and supply of electricity, with cheaper production through elimination of unnecessary competition and encouragement of efficiency. The Ministry of Economics obtained wide powers of interference with private industry, including the fixing of tariffs. The Swedish State has gone far in this direction. Since 1921, the imprint of collective economy has been placed upon this important branch of Norwegian economic life: the State assures the fullest utilisation of the

water services in the community's interests. Norway's resources are too great for her own use; and she has considered the technical problem of supplying her near neighbours, Denmark, Germany and Belgium. In Finland, the State owns one-third of the total water-power resources. The Bulgarian Government has taken vigorous action to control her water-power resources. In Switzerland, the Federal Railways and other collective undertakings exploit important water-power resources to produce electricity. The French Government has initiated a large scheme for collective exploitation of the Rhone's possibilities.

In England, public control of the generation and transmission of electricity has proceeded far under the Central Electricity Board. Ireland has its big Shannon scheme.

New Zealand and the Australian States have created public bodies to control the development of electricity. In Canada, the Provinces have taken a similar course; and there is the great collective undertaking: the Ontario Hydro-Electric Commission. India has seen the State undertake important electricity schemes.

Although in the United States, hitherto, private enterprise has predominated, it seems clear that now "public opinion stands unequivocally for a public interest in water development".[1] Eighty-five per cent of potential water-power resources is under jurisdiction of the Federal Power Commission, by the 1920 Act.

Since the advent to power of President Roosevelt public ownership and control in this industry have taken enormous strides forward, with the vigorous development of the Muscle Shoals, Boulder Dam, Tennessee Valley, and Columbia River schemes, and the progress of the St. Lawrence plan in co-operation with Canada. The President has declared that Federal control of power is essential to orderly economic development and the

[1] See W. H Voskuil, *The Economics of Water Power Development*, Chicago and New York, 1928 See also *The Annals of the American Academy of Political and Social Science*, January, 1932, "Power and the Public".

prevention of social abuses. He has begun to produce electric power for sale to consumers at reasonable rates, in sharp competition with private capitalists. "We are going to see electricity and power made so cheap that they will become standard articles of use, not only for agriculture and industry but also for every home within reach of the electric light line."[1] He intends his Federally-controlled power projects on the Colorado, Columbia, Tennessee and St. Lawrence Rivers not only to develop the regions in which they are located but also "to set up yardsticks so that the people will know whether they are paying the proper price for electricity".

He also has threatened to subsidise municipal electricity undertakings to fight the big private power concerns.[2] Moreover, his legislation for controlling big public utility holding concerns is directed specifically against the big power interests.

The December, 1935, Economic Recovery plan of the Japanese Cabinet Study Committee envisaged direct State administration of the electric power production industry, to cheapen costs and improve transport. The Iran Government's current plan of economic organisation embraces electric power stations and dam building. The second five-year industrial plan of the Turkish Government in February, 1936, dealt largely with electrification.

Public authorities in various parts of the world also have undertaken terrific irrigation schemes. Many have been undertaken by the State in India, like the Great Sukkhur Barrage Scheme. Collective irrigation works have been developed in Spain and Italy. Interesting forms of collective irrigation have been developed in Spain: and the new Spanish Government, in March, 1936, announced an extension of irrigation (and afforestation).

[1] Speech at Grande Coulée Dam, Columbia River, 4th August, 1934 (*The Times*, 6 8 34)

[2] Although the Supreme Court upheld his right to execute the great Tennessee Valley scheme, it is being asked to deny the right of the Public Works Administration to make loans to municipalities for building power plants and distributing systems in competition with existing private facilities.

The development of water power and electricity by State and other collective authorities has indeed gone far. One of the greatest tasks before advocates of collective economy is to push this sphere of public control to its farthest limits. The possibilities of electrification in industry and agriculture, and in transforming the home and human relationships, are tremendous: they must be under public control.

(*c*) Railways [1]

The part of capitalist territory as yet most fully socialised and governed according to the economic principles of the collective economy is railway transport. There are State railways practically throughout the world, except in Great Britain; for even the United States has the Government-owned Alaskan Railway. Moreover, in the United States and Great Britain legislation subjects the railways to a large measure of public control. In both countries, also, there was Government operation during the war. Under the British Railways Act, 1921, there was compulsory grouping of the railways into four main systems, and charges were regulated through special machinery created. The United States 1920 Act also subjected the railways to certain regulations regarding tariffs, and provided for plans to be developed for valuation and grouping of the railways. Moreover, recently President Roosevelt put the railways under a single, Federal control with insistence on amalgamations, and steps were taken to co-ordinate national transport.

In addition to Russia, there are huge State-owned undertakings in Germany, India, Australia and Canada, with over 20,000 miles each. Brazil, Mexico and the Union of South Africa own systems of 10,000 to 20,000 miles; while the Argentine, Belgium, Chile, China, Czechoslovakia, France, Italy, Japan, Poland, Yugoslavia,

[1] See *Railways of the World*, by F E. Lawley (Railway Nationalisation Society), London, 1927; *Road and Rail in Forty Countries*, Report prepared for the International Chamber of Commerce, by P. Wohl and A. Albitreccia, London, 1935—a very valuable source of information. See also *Report of the British Royal Commission on Transport and its Minutes of Evidence*, 1929

Roumania, Sweden and Switzerland own systems of up to 10,000 miles each. In Europe alone, apart from railways under some form of State control or regulation, at least 67 per cent of all railways is State-owned, including these percentages: Bulgaria, Esthonia, Latvia, Lithuania, Luxemburg, Poland, Roumania, Turkey in Europe, Russia, 100; Belgium and Germany, 94; Finland, 93; Yugoslavia, 89, and Norway, 87.

Then there are the big mileages of systems owned by companies and operated by public authorities, or operated by companies under concessions strictly regulating their operations, and providing in very many cases for State aid, as subsidies, loans, guarantees, etc., with large powers granted, therefore, to the State in return. In these and other ways many privately-owned railways have come under State control in, for example, Italy, Denmark, Sweden, France, India, Spain, Norway, Holland, Bulgaria, Czechoslovakia and several South American States. Sometimes the State, as in Sweden, had had representation on the private Boards of Management in return for services rendered. The State and other public authorities have owned shares, for services rendered, as in Denmark and Norway. Cantons or Provinces have taken shares, as in the Swiss "Lotschberg" company. Local authorities have taken shares in or bought railways, especially local, light railways, as in Belgium. Important States, France, Canada, Italy, Hungary, Japan and Roumania, for example, have instituted various forms of unified control of the whole national railway system, public and private, including regulation of tariffs.

The increasing tendency in all countries is towards complete unification and centralisation of control under the direction of the State; and in the case of very many concessions, the railways, at the end of the period of the leases, revert to the State.

In several countries the Government has been compelled to take over the railroads in order to prevent interruption if not abandonment of service. . . . To-day in Eastern Europe many railroads would have to be abandoned but for Government support. The

same is true of particular railroads on every continent, as, for example, the Government-owned and operated railroad of Alaska.[1]

It is difficult to estimate the contribution, not only to the development of industrialisation and civilisation for the whole community, but also specifically to the values absorbed by private concerns and individuals, of State railway activity in various directions. The gains accruing to the whole community and to the workers in particular through the State's insistence on reasonable tariffs are enormous. It is clear that public opinion the world over will not tolerate the uncontrolled ownership and operation of railways by private enterprise.

The late Sir William Acworth, the British railway economist, said that "to leave private railway companies uncontrolled by the State is impossible"; and he gave his opinion that both in the United States and in Great Britain the railways would have to come into closer connection with the State. He concluded that State ownership was inevitable.

In recent years, also, there has been a growing movement, in numerous countries, for the co-ordination of all forms of land transport, not only for local areas, under public bodies like the London Passenger Transport Board,[2] but also on a national scale. Thus, in November, 1935, the French Government declared that a committee for co-ordination of transport would be set up. In February, 1936, the Indian Government announced that a Communications Ministry would be created, for purposes of co-ordination; and the New Zealand Government announced forthcoming legislation, after a study of action in South Africa, Queensland and other parts of the British Commonwealth, covering the whole transport system, to eliminate road and railway competition. In February, 1936, the Italian Government took wide

[1] W. Splawn: *Government Ownership and Operation of Railroads*, New York, 1928, p 436.

[2] Cf. also the Northern Ireland Transport Board, controlling and co-ordinating all road transport, modelled somewhat on the lines of the London Passenger Transport Board

powers to co-ordinate, control and, if necessary, operate all forms of land and sea transport. Again in China, General Chiang Kai-Shek's current plan of economic reconstruction provides for a well co-ordinated system of land and water through traffic.

(*d*) Banking, Finance and Credit

Banking is another sphere of business enterprise which has been made, in an increasing measure, to be animated by the principles of collective economy.

The effect of the World War experience has undoubtedly been, first of all, to compel admission of the view that banking is an economic function in whose general management and direction the community at large is profoundly interested and whose effects cannot be escaped by any member or any class That being the case, there has almost inevitably been developed a . . . disposition to regard banking as a kind of public service enterprise, which was non-existent or rudimentary prior to the World War. . . . We may note some outstanding examples of the trend toward Government ownership, direction or control—a trend which is unmistakably more striking and compelling than any other element in the present-day situation [1]

Most central banks derive their status from and exercise their functions under the authority of the State. Government control of central banks has increased since the war.[2] The Genoa Conference recommended that central banks should be related closely to Governments.

[1] See *Foreign Banking Systems,* by various authors, edited by Willis, H P, and Beckhart, B. H. (London, 1929), pp. 8–9, and the *Sixth Annual Report of the B I S*, May, 1936, chapter recording Decrees and laws whereby Governments have controlled banking systems—sometimes central banks, in other cases private banks, and, in certain cases, the whole credit system, including both central and private banks!

[2] Cf. *Foreign Banking Systems* "It has been natural that with the war over and a great deal of reorganisation to be effected in all directions, the idea of a largely extended control of banking should have made its way to the front and should gradually have crystallised into proposals for the nationalisation, and, in some cases, complete ownership, of central banking by Governments . . To-day we have a large school of thought in many countries of the world which regards Government ownership, or at least Government direction, as the natural and inevitable outcome of our present conditions" (pp. 12–13) The writer refers to the progress of the nationalisation movement in the United States, and the injection of a large element of Government control

Speaking of the British banking system, the late Mr. Walter Leaf, in his Chairman's address to Westminster Bank, Ltd., in 1927, said:

> The banks have been deprived by the State of the control of currency and the power of creating credit involved in it. That which was once considered to be the very essence of banking now belongs to the Treasury. The joint stock banks have no voice in the control of the rate of interest. Beyond this the Bank of England acting with, if not directly on behalf of, the Government exercises very real control over the policy of the joint stock banks, as was made clear enough very recently in the enforcement of the embargo on the issue of foreign loans; and generally the banks recognise it as their duty to support the policy of the Bank of England. They are thus for all practical purposes as much under control as if they were nationalised [1]

It is, of course, an exaggeration; but it shows not only that there is a large measure of public interference with the banks, but also that bankers realise this. Actually, of course, there is a growing demand in Great Britain for State control over the Bank of England, and through it, over other parts of the banking system; not only by the Labour Party but by groups of men associated with various parties, and by prominent industrialists. Banking amalgamations in Great Britain are subject to Treasury sanction.[2]

in the Federal Reserve System. "The success of both the Federal Reserve System and of the Bank of England during the war . . impressed many minds with the thought that the machinery of credit should not be allowed to get out of hand by returning to private control. Accordingly, since the war, the unmistakable trend of affairs in nearly all countries has been toward the active participation of Government in, and even the ownership, not only of central banks and their branches, but in most countries toward the extension of Government participation into other banking fields" (p 13) ". A close control of central banks appears to Government administrators to be a wise step as well as a measure of economy" (p 15)

[1] *Economist*, 29 1 27.

[2] Cf "In view of the exceptional extent to which the interests of the whole community depend on banking arrangements, some measure of Government control is essential" (*Report of British Committee on Banking Amalgamations*, 1918, Cmd. 9052). This Committee recommended legislation to ensure that Government consent was secured. A Bill was introduced, but was withdrawn, as the banks made an agreement with the Government ensuring Treasury approval.

State or other "collective" banks of various kinds exist in every country in the world; and their number and power are growing rapidly. A few of the most significant may be mentioned: the Federal, State, Provincial, Municipal, Co-operative and other forms of public banks in Germany, including the big bank controlling the vast array of Federal industrial undertakings; the Swedish Riksbank; the five big State banks in Poland; and the Australian Commonwealth State Bank. Then there are important banking organisations run directly by the State or with State participation in many countries, to help industry and trade, agriculture, the co-operative movement, shipping and housing among other services.

Public authorities not only own banks but also participate in banking control of much private enterprise. The United States banking system is subjected to a strong measure of State control. Under President Roosevelt in quite recent years, there has been instituted a thorough regulation of the banking and credit system, the President being virtually the Bank dictator. By special banks, and by the Reconstruction Finance Corporation and the Farm Credit Corporation, immense Federal loans have been made to industry and agriculture, so that the Federal Government by this means is a very big stock holder.

In July, 1935, *The Times*[1] said that, in the U.S., "the Government, not the banks, has performed the lending of the post-depression period . . ."; and that "the growth in deposits and assets of banks has been entirely due to the Government, which, through its various legislative enactments, has largely usurped the position previously taken by the private lenders". The new 1935 Banking Bill proposed to give the Treasury a certain market for all securities it might choose to sell, by centralising control over the Federal Reserve system in the President, and regulation of rediscount rates, open market operations and member bank reserve

[1] 25 7 35.

requirements by Washington. It also would establish a new connection between the banking system and the building industry; making mortgages eligible for bank investment on a much widened scale, etc. This Banking Bill, as finally signed by the President in August, 1935, gave the Government-appointed Federal Reserve Board control over the open market policy and buying and selling operations of the Federal Reserve Banks, through a seven to five majority over banking representatives in the Committee authorised to control these activities. Further, the President could destroy any opposition from existing members of the Board by appointing a new Board, before February, 1936, with the approval of the Senate. The banking reforms also provided for insurance of deposits and some Government control over the volume of bank deposits.

In Germany, the advent of the Hitler régime has meant an increase even in the already large amount of State banking control. At a meeting of the banking commission of inquiry in 1933, to discuss the question of nationalising the banking system, Dr. Schacht, President of the Reichsbank, said:

> The State had to take an increasingly active part in banking. They would have to consider whether the borrowing and lending of capital and the mediation of credit should not be altogether withdrawn from private enterprise, and whether all those who wish to lend their money, or to call on credit, should not be tied to the State.[1]

According to one calculation, the Reich and Prussian Governments, with some smaller local governments, already by the end of 1931 held one-half the total capital of all banks.[2] In December, 1934, a law created a board of supervision to approve and control the conduct of banks and banking houses; to be notified of changes in ownership or capital, fusions, etc.; and to control the scheduled allocation of profits, to reserves, etc. An October, 1935, Act transferred control of State banks to the Reich, in order to centralise the direction of credit and capital market policy.

[1] *The Times*, 7.9.33. [2] *Manchester Guardian*, 3.5.33.

In Fascist Italy, also, the Government has taken large powers of control over the banks. On 3rd March, 1936, the State took over control and unification of the country's whole banking and financial system; to adapt it to the needs of the national economy and to control savings accordingly. Credit and currency policy, too, will serve the national economy. The Bank of Italy was made entirely State-owned; and other banks also were made public institutions. The whole banking and credit organisation was put under an "Inspectorate for the Defence of Savings and the Exercise of Credit", a purely Governmental body. On 23rd March, 1936, Signor Mussolini said that this reform had "logically brought credit under the direct control of the State", and there were "a thousand reasons for this step".

In July, 1935, the Belgian Government, by a Decree-law, instituted control over the banks, through a Banking Commission, appointed by the King.

In November, 1935, the Chinese Government instituted a comprehensive scheme of banking and currency reform. The Government Central Bank was given a new form and management of the currency. With a special Committee, the three Government banks will control foreign exchange. Silver has been nationalised.

The December, 1935, economic recovery programme of the Japanese Government involved an important measure of State control of the banking and monetary system, with a view to keeping interest rates low and raising mass purchasing power.

In Canada, the Speech from the Throne, in February, 1936, pointed to legislation to give the Government "a predominant interest in the ownership as well as the effective control" of the Bank of Canada.[1] In New Zealand, in recent years, a vast semi-State Mortgage Corporation, and a Reserve Bank under joint State and private control, have been formed. In December, 1935,

[1] The Finance Minister, on 14th March, 1936, notified the introduction of a measure providing for Government control of this Bank through ownership of a majority of shares.

the new Government announced a revolutionary change in the monetary system, so that the national credit should benefit the people, meet the needs of distribution and make planned economy effective. A national credit authority was envisaged, controlling the flow of credit and the general price-level, and regulating foreign exchange operations. The Reserve Bank would be State-controlled and would help to guarantee prices to farmers.[1]

The new Spanish Government intends to bring the Bank of Spain under direct State control, to "serve a new social purpose", and aid land and social reforms; and the new Paraguay Government instituted State control of the banking system, and envisaged important economic activities for State banks. The French Front Populaire proposes to bring the assets and policy of the Bank of France under full State control. Italy and the U.S. have controlled the Stock and Commodity Exchanges. The German 1934 Act empowered the Government to reduce the Stock Exchanges from 21 to 9, by closure or fusion.

The depression has compelled Governments to assume increasing powers in the sphere of banking and finance. All kinds of banking and exchange operations have been subjected to official control. Exchange Equalisation Accounts have been operated in England, the U.S., Belgium and Canada. In Paraguay, a Central Bank has been formed to centralise all foreign exchange operations. As mentioned earlier, Italy and Poland have assumed full exchange and currency control.

As already stated Governments are increasing their control over capital issues.

Experience in the United States, as in Germany and Italy, shows that a large measure of nationalisation of banks can be effected without any great agitation for it

[1] A Government Bill to this effect was passed on 8 4 36 private interests in the Reserve Bank are being bought out Similar treatment is being accorded to the Mortgage Corporation which will control all State lending and mortgages See pp. 243–4

having swept the country; this action being incidental to other and more important events.

Economic necessity is forcing banks in every country to pursue a policy of rapid amalgamation. This policy in England some years ago reached formidable proportions.

Not merely national public control has been achieved, but, as will be indicated later, measures of international control also have been adopted. Finally, to crown this movement, there has come into existence the Bank for International Settlements.

Banking is another sphere where public enterprise has proved its worth and where large-scale State intervention has been found necessary for the health of individuals and society as a whole.[1] Moreover, recent elections in New Zealand, France and Alberta[2] and developments in the United States owing to the support rallied to the Townsend plan,[3] show that people are coming to realise that there is something radically wrong with the national and international monetary and credit system; and are ready, having lost faith in orthodox financial measures, to try unorthodox remedies. National control of banks must be accompanied by national control of credit and the adoption of a more scientific and democratic conception of the function of credit.

[1] "The steady tendency towards central banking and control over note issue showed the public's appreciation of the social nature of credit" (*American Economic Review Supplement*, March, 1931, p 7 B Mitchell, in a Conference on "The Decline of Laissez-Faire")

[2] Cf the 1936 Social Credit Enabling Act giving the Aberhart Government power to investigate means of providing the promised monthly dividends

[3] See *The Times*, 17 3 36, "Juggling with Wealth", and *Time and Tide*, 18 1 36, article by Oswald G Villard.

CHAPTER V

THE RÔLE OF THE STATE IN THE ECONOMIC DEVELOPMENT OF THE BRITISH COMMONWEALTH [1]

In all parts of the British Overseas Commonwealth the State's economic activities have assumed very great prominence, and its economic functions have been ever widening. All kinds of State businesses are to be found —railways and other transport, mines, shipping, State-organised producers' pools, insurance concerns, banks, fish shops, electricity undertakings, iron and steel undertakings, irrigation services.

Throughout the British Commonwealth people have regarded it as an obligation laid upon the Government: to build railways and charge low rates to aid primary producers and economic development; to subsidise industrial undertakings; to assist in securing markets and grading produce; to conserve national resources; to undertake irrigation and develop new commodities; to purchase land compulsorily; to break up large areas of land and make it available on good terms for small holders and ex-service men, who should be provided with credit facilities, seed, etc., and to elaborate a satisfactory system of land tenure; to control the exploitation of mineral sources; and to indulge in large measures of publicity in order to find men, capital, transport, industries and loans on good terms from the mother country.

In most parts of the Commonwealth the State has not allowed land to be alienated permanently to planters,

[1] See, *inter alia*, Knowles, L. C A and C M: *The Economic Development of the British Overseas Empire*, Vol I, London, 1924; *Comparative View of Dominion Problems, Canada*, Vol. II, London, 1930; *South Africa*, London, 1936.

white settlers, or companies, or large amounts to be accumulated in a few hands.[1] As a rule it has been leased. Moreover, natives have not been allowed to alienate their land without supervision by the Government.

In the Colonies and Dominions it has been realised that in a new country, at any rate, agriculture must necessarily be State-aided to a great extent.

Small cultivators have been unable to grow products on a commercial basis without Government help, in regard to the supply of seed, demonstration, provision of ample and cheap credit facilities, aid in home marketing and in finding markets abroad, and in inspecting exportable produce and guaranteeing quality. In tropical areas there are no seed merchants or nurseries; and so, through its agricultural stations, the Government has had to be practically the universal provider, *inter alia*, of seeds and fresh stocks of plants.

Again, if crops are to be grown regularly by peasants who have no grasp of the significance of price fluctuations, a minimum price must be guaranteed by Governments. When primitive savage peoples first learn to cultivate in order to exchange this is especially important. In these countries the State must undertake the task of eradicating, by scientific investigation and by strict regulations, dangerous pests; for it alone is rich enough to support this burden.

In short, in such countries, where agriculture is the primary industry, the rôle of the State is an absolutely fundamental one.[2]

[1] "It is clear looking to the experience of other Colonies that steps must be taken to prevent the accumulation of enormous quantities of land in the hands of individuals through the operation of free transfer and also that the conditions of tenure may be such that the Government may be able from time to time to obtain its share of the unearned increment in the value of land—that is, the portion of its value which is due to the growth around it of an organised economic and political system" ("Despatch by the Secretary of State for the Colonies to the Governor of East Africa, 1908", quoted, Cd 4117, 1908. Quoted. Knowles, *The Economic Development of the British Overseas Empire*, Vol I, p 208)

[2] Here are two illustrations of recent action of this kind In Jamaica, in November, 1935, the Legislature approved the first part of the improvement works forming part of a four-year loan programme to start in 1936, beginning

Railways are, of course, most essential to the opening-up and development of these areas and to the success of primary producers' efforts; and here again the State plays a vital and a pioneer rôle in new countries. Building, owning and operating railways has been one of the most striking features of Government in the Colonies and Dominions; and, in so doing, the Government has been a silent but an active partner in all agricultural and industrial undertakings. Most of the railways are owned and operated by the State, and others are assisted by it. Private capital would not assume the risks associated with the investment of capital in such areas in the earliest stages of their development, because of their disturbed condition. Private enterprise could not even exploit railways in India without interest being guaranteed by the Government, and Government grants of free land. Indeed, a big percentage of the Indian railways were built by the State and are operated by it, or by private companies which it controls. In the tropical colonial areas, apart from Rhodesia, Nyasaland and part of the Indian railways, practically all railways have been built and operated by the Government. In thinly populated and scattered areas, as in Africa, where the return on capital outlay for a good time was bound to be limited, the Government alone was ready to shoulder the burden.

In South Africa, which was comparatively poor, the necessary capital had to come from the Government. In Australia, it was the State which had to take the risk: private enterprise could find more profitable openings.

In Malaya, Ceylon, Jamaica, and in East and West Africa, the Governments constructed the railways. In

with agriculture. A Government committee was appointed to consider, *inter alia*, marketing of bananas and granting loans to banana growers affected by storms, and to create a fund to help growers in similar circumstances in the future. In March, 1936, the Secretary of State for the Colonies allowed the raising of a loan to provide capital for the new Land Bank and for water supply for Nairobi. Part of the Bank's capital was to provide short-term finance for coffee and maize planters.

East and West Africa, the early railways were costly to build.

These railways have been constructed [said the official report on the West African railways in 1905], through dense tropical forest, in a deadly climate which, in spite of every precaution in accordance with improved principle of malaria prevention, caused constant changes in the staff of every grade; amid difficulties arising from heavy rainfall, from scarcity and inferiority of labour, from conditions under which cargo had to be landed, as on the Gold Coast, by surf boats and lighters on an open roadstead, while native revolts and military operations have interrupted and delayed the work.[1]

In time Governments came to see in the railways excellent producers of revenue; although often, in order to help primary producers and to develop the country, they risked losses by charging very low rates. Quite frequently, too, contractors would not build because they could not estimate what the cost would be. Railway experience in the Tropics has been one more illustration of the truth that, wherever there are difficulties, private enterprise turns to the State. In the Tropics people expected the Government to take the initiative in risk-bearing and to execute public works, so they naturally turned to it to produce railways.

The State was able to raise capital more cheaply than private individuals; which also led it to pledge its credit for public works—in particular for railways. Moreover, the Government had to think of the future; while the individual colonist naturally was concerned mainly with his own immediate problems.

There has been much talk of the so-called failure of State shipping lines in Australia and Canada; but the truth is that these lines, by charging comparatively low rates, risked losses in order to fight shipping combines and help primary producers.

The great publicity undertaken by the Agencies of the Dominion Governments in London reminds one that

[1] Cd 2325. Quoted by Knowles, *The Economic Development of the British Overseas Empire*, Vol I, p 149.

Empire Governments are large-scale commercial firms. Dominion Governments organise the marketing of products and subsidise the export of certain goods. The British Government is also quite a big trader in regard to the Crown colonies. Since 1833, Crown Agents have been attached to the Colonial Office. The colonial Governments must get all their requirements, both expensive materials for railway or harbour construction and small, inexpensive articles, through these Agents. The business of forty-four colonies is carried on thus. These Agents also handle the issue of loans.

CHAPTER VI

COMPENSATION OR CONFISCATION?

An important problem arises: whether compensation should be paid, and if so, in what form, whenever private property or private enterprise is abolished or restricted by collective action undertaken by a public authority.

(*a*) The Case for Confiscation

A very strong case can be put forward in favour of the principle of confiscation. Wealth is produced by manual and brain workers who do not receive the full fruit of their labour. No wrong would be done in giving back to the community the surplus wealth which private individuals have accumulated by exploiting the manual and brain workers. Morally it would be justifiable to confiscate the surplus for social use. Moreover, while there are millions of men and women unemployed, underfed, ill-housed, badly clothed, diseased, and stunted physically, mentally and spiritually, who run incalculable risks as the result of the existing capitalist organisation of industry, no one could complain if circumstances should make it expedient that the State should take over the property of certain individuals or groups: they should shoulder the burden of this action, regarding it as a "risk" less than that run by the above-mentioned groups in the community. Every business man knows that he has to take risks—war, personal misfortune, monetary and trade fluctuations, inventions: these are "normal" risks. Then why is a great national necessity, which may lead to an act of expropriation in peace-time, any different from the effect or the result of a war? It cannot be admitted that private property owners have a

right to compensation. In time of war the State takes control of the lives of its citizens of fighting age: and France even proposed that the State should have the right to the services of all adults. Life is more important than property. Again, since all values, and not merely surplus land values, are co-operatively created, even if compensation were admitted it would be impossible, in strict justice, to apportion the payment.

(1) *Precedents for Confiscation*

What has past experience to teach us in this connection? Strange as it may seem, there are many precedents for expropriation without compensation, i.e. confiscation. Let us glance at a few.

(*a*) *Australian Compulsory Conversion into Lower-Interest Stock* [1]

A year or two ago the Australian Premiers' Conference, at the request of Mr. Scullin, Labour Commonwealth Premier, decided to introduce legislation compelling a 2 per cent minority of bondholders (25,000, holding £10,293,289 of bonds) to convert their holdings into lower-interest Stock (98 per cent, holding £487,078,169, had volunteered).

(*b*) *British Civilian War Sufferers*

Many British civilians suffered loss or damage during the Great War, arising out of air raids, bombardment, sinking of ships, sequestration of property, etc., and were promised, by Ministers of the Crown, and in Articles 231 and 232 of the Versailles Treaty, that

[1] Note also Alberta's compulsory refunding of her Provincial debt at a $2\frac{1}{2}$ per cent minimum instead of 6 per cent, saving about £600,000 p a The Premier said that he had appealed in vain for voluntary acceptance of a reduction of interest A Bill was introduced, enabling Albertan municipalities to take similar action The Mayor of Calgary, in April, 1936, said that the City would have to default on interest payments due on 1st July, 1936. It would prefer to pay essential city services and unemployment relief. In April, 1936, Montreal City Council decided to ask the Quebec legislature to allow it to enforce a conversion of its debt to a lower rate of interest (affecting about £54 million). See also pp. 132–3

money would be obtained from Germany to compensate them.

On 3rd December, 1933, the Court of Appeal dismissed an appeal by the Civilian War Claimants Association, Ltd., against a judgment by Mr. Justice Roche, who found in favour of the Crown when the Company prayed the King to direct payment of compensation.[1]

(*c*) *British Oil Legislation*

When the Petroleum (Production) Bill was before Parliament in July, 1934, with its proposals for confiscating private property in oil, a *Morning Post* leading article justified this "drastic transfer of private property to the State" (inasmuch as the landowner would be generously compensated for disturbance of his surface rights including amenities). Mr. Runciman, President of the Board of Trade, said that "property in oil did not exist as a private possession". Moreover, in a leading article *The Times* supported the Government's view that "The vesting of the ownership of oil in the Crown is the best way to secure orderly development of any oil-field discovered." [2]

(*d*) *British Reform Act*

In England, the 1832 Reform Act abolished vested interests without compensation. Some of these interests had been purchased and some inherited. They were good investments, and when hard up the patrons sold them. Mr. G. M. Trevelyan [3] says:

The Reform Bill in the eyes of the sufferers was first and foremost a confiscation of private property and of corporate and customary rights as extensive as that which accompanied the destruction of the Church by the Tudors and of the Monarchy by the victorious Roundheads. And this wholesale destruction of the property and influence of individuals was to be effected without compensation, though compensation had been part of the Reform Schemes of Wyvill and Pitt half a century before, and of

[1] *The Times*, 3rd and 4th December, 1930 [2] 3.7 34
[3] In *Lord Grey of the Reform Bill* (London, 1929), pp 267–8.

Russell himself in 1823. . . . But in 1831 the country would have lost all patience if asked to buy out the "borough mongers". . . This clean sweep . . the decision to destroy the rotten boroughs, was one of the most prudent acts of daring in history.

Then he quotes "Creevey":

To think of dear Ald(e)borough and Oxford, both belonging to Lord Hertford, and purchased at a good price, being cleanly bowled out, without a word of with your leave or by your leave. Aye, and such proprietors are treated as *criminals* by the whole country for making any fight on their behalf!

(e) *British War-Time Experience*

In Great Britain, during the Great War the right was claimed by the Government to take land or other property with no legal obligation to pay compensation; the two Law Officers of the Crown, Sir John Simon and Mr. F. E. Smith (later Lord Birkenhead), maintaining the theory of the Royal Prerogative as justification. *Ex gratia* compensation, only, was granted, and that only for "direct and substantial loss" of individuals on account of action solely undertaken against them, and with no allowance even for direct damage where acts were directed against all people who experienced like losses.

The accepted theory was: that there was no legal right to compensation, except where an Act of Parliament said so, expressly; that the Crown could take possession of any private property. A Royal Commission appointed on 31st March, 1915, set up to assess claims for compensation in such cases, had to award *ex gratia* payments.

This theory was acted upon during the whole of the war and, until the House of Lords gave an adverse decision after the war, was not questioned by the Courts, including the Court of Appeal.[1] The Defence of the

[1] See Lloyd, op. cit, Chap. V, "The Legal Basis of Control". *Note*—The Court of Appeal decided the Shoreham Aerodrome case, 1915, in favour of the Crown (C A. [1915] 3 K.B 649) Mr. Lloyd says that it never went to the House of Lords, as the Government compromised, fearing an adverse decision. The House of Lords, on appeal, in 1920, decided the De Keysers' Hotel case against the Crown (H L [E] [1920] A.C 508)

Realm Losses Commission laid down the principle that individuals could only claim compensation if it could be proved that they had suffered exceptional interference directed specially against themselves; no compensation could be allowed if loss followed the execution of an Order of general application, not limited to particular individuals. The application of this principle made it possible to apply the war-time system of maximum prices and abolition of private dealings.

Under Regulation 2B of the Defence of the Realm Regulations, as amended in February, 1916 (superseding the Army Act, Section 115),[1] and again a year later, the Government, in effect, "could seize private property and virtually fix its own price", as implied in the above-mentioned theory.[2]

The 1920 Indemnity Act validated this and other Regulations, on which action was taken in accordance with the theory of the Royal Prerogative. By virtue of an amendment to Regulation 7 of the Defence of the Realm Regulations, in February, 1916, compensation for requisitioning was taken away from the jurisdiction of the Defence of the Realm Losses Commission by a provision providing for arbitration;[3] and, moreover, prices payable for manufacturers' property or goods seized were to be based on cost of production and normal profit, for the purpose of estimating which the Admiralty, Army Council or the Ministry of Munitions could compel the furnishing of information. This enabled Government Departments to appoint accountants to make minute studies of production costs, and develop a proper costings system. Under Regulation 30A of these Regulations the above Departments could prohibit dealings in articles in other parts of the world except by licence.

[1] Under which compensation should be paid on the basis of "fair market value".

[2] The Regulation said that where a maximum price had been fixed for a requisitioned commodity, the compensation payable should not exceed the maximum price.

[3] Mr. Lloyd, op. cit., says that no case went to arbitration so far as he is aware, but the provision met the case and enabled the State to go ahead

Finally, under Regulation 2E these Departments could

> regulate, restrict, or prohibit the manufacture, use, purchase, sale, repair, delivery of or payment for, or any other dealing in any war material, food, forage, or stores of any description, or of any article required for or in connection with the production thereof.[1]

This facilitated the fixing of maximum prices.

(f) *Conscription of Unearned Increment in Value*

The British Town and Country Planning Act, 1932, provided that a local authority might claim from a person whose property was increased in value under a scheme, 75 per cent of the amount of the enhanced value. (Under the 1925 Act it was able to claim 50 per cent.) The 1931 Bill provided for 100 per cent confiscation of this enhanced value.

Again, the 1935 Ecuador Act authorising the expropriation of lands in private ownership which are actually abandoned or left unproductive by their proprietors,[2] provides that unearned increment, as computed by Government experts, is to be deducted from the indemnity allowed.

(g) *French Government War-Time Requisitioning*

During the Great War, when the French Government requisitioned certain goods, the Court held it to be entitled to confiscate certain elements of normal value. Under the 1877 Act (Art. 2), "all supplies furnished on requisition give a right to compensation representing the value of the goods supplied". During the Great War, military authorities, faced with a steady rise in prices, discussed with refractory producers the meaning

[1] E. M. H. Lloyd *Experiments in State Control at the War Office and the Ministry of Food*, p 63, quoted

[2] The Administration can expropriate all unused land, arable or pasture, in private ownership which remains unexploited for a consecutive period of three years. Moreover, Article 151 of the Ecuador Constitution says that land ownership is not an absolute right, but is limited by restrictions imposed from time to time upon owners by the social evolution of the country It is thought to be the State's duty to favour the people's access to the land.

of the word "value" and carried their case to the Courts, right up to the Court of Cassation. Did "value" imply cost of production or market price? The Central Requisition Commission asserted that "as a requisition is not a bargain resulting from the free will of the contracting parties, the compensation awarded cannot be assimilated to a commercial price arrived at by free discussion". The Court of Cassation accepted this view, declaring

> that military requisitions are measures of public authority . . that, depending as they do on the sole will of the State acting from public necessity, they have the character neither of a commercial purchase nor of a bargain to supply, nor of any contract at common law; that the value must be assessed at the date of the requisition and compensation calculated solely with reference to the loss caused to the owner by the dispossession of his property and without regard to the profit which might have accrued to him from the rise in prices artificially produced, whether by speculation or monopoly or by any other conditions resulting from the state of war and notably from the exercise itself of the right of requisition.[1]

(*h*) *Inventions Expropriated for Defence Purposes*

In November, 1935, a French Government Decree authorised the Defence Ministers to expropriate any invention of importance to national defence with a view to using it or keeping it secret as national interest might dictate; and the Patent Office archives were made accessible to the Defence Ministers.

(*i*) *Italian Government's Compulsory Conversion of Nationals' Foreign Loans*

In October, 1935, the Italian Government requisitioned foreign securities held by Italian nationals and gave them, in exchange, Italian paper money at a rate fixed by the Government.[2]

[1] Augé-Laribé, M, and Pinot, P, *Agriculture and Food Supply in France during the War*, p 80, quoted

[2] The British Government resorted to this method in commandeering securities in the United States held by British nationals during the Great War.

(j) *Land Resumption: Henry George's Proposals*

Henry George contended that no compensation should be paid for loss of any rent to landowners, who have robbed the community of its birthright; for, in the eyes of the common law, built up to protect landowners, nothing at all is due to a possessor, however innocent, whose land is claimed by another successfully. Even improvements are taken from him, with the discovery of a piece of parchment. While Henry George proposed to leave improvements in personal property to the landlord, he proposed to resume the ownership of the land.

(k) *Post-War Financial Inflation*

The war and post-war financial inflation in many countries subjected millions of people to compulsory, arbitrary expropriation of their "property" with pure confiscation.[1]

Payment for the War means that either the capitalist has to pay by a direct levy on his assets or, as nearly all European nations have done, by depreciation of the national currency through inflation, followed by stabilisation on a gold basis, which also is confiscation, only put in another way.

By this process France has reduced its National Debt by four-fifths, Germany has wiped out its internal debt completely, and other countries have acted similarly, but to varying degrees.

The alternative is that all classes of the population should accept a lower standard of living, effect rigorous savings, and submit to these savings—or part of them—being taken from them by the State through the medium of taxation, and that the proceeds of taxation should be devoted to the reduction of the War Debt.[2]

(l) *Post-War Compulsory Restriction of Rent and Interest*

The post-war maintenance of rents at a level below that corresponding to the general price level, in order

[1] Cf J M Keynes *The Economic Consequences of the Peace* (London, 1919), Chap VI, pp 220–32. See also pp. 136–9.

[2] Mr. Szarvasy, Chairman's address, Anglo-French Banking Corporation (*The Times*, London, 27 1.31)

to benefit poor tenants and re-distribute the national income, as for example in Austria (Vienna) and Germany, was a kind of expropriation of ownership, without compensation.

In the autumn of 1935, the French Government cut, by 10 per cent, pensions and the rate of interest on Government Rentes (equivalent to a forced conversion of Government Stock); and also cut down rents and the interest on mortgages.

During the economic depression, between 1931 and 1935, the New Zealand Government reduced, compulsorily, mortgage interest and rents; and provided for the conversion of internal Government and local body debt with a 20 per cent reduction of interest, voluntarily, but with a penalty for non-conversion. In the autumn of 1935, also, it authorised the writing down of the principal owing on rural mortgages. The U.S. Emergency Farm Mortgage Act, 1933, authorised the reduction of excessive debts.

(*m*) *Proposals for Confiscation in War-Time*

In a recent statement in the French Parliament, the Prime Minister (M. Flandin) said that the Government was studying a measure containing a clause stipulating that in case of war, armament and munition industrialists would work on a requisition basis, without profits. On 1st July, 1935, a Government Bill on the organisation of the nation in case of war gave the Government drastic powers of requisition.

The McSwain Bill passed by the United States House of Representatives in April, 1935, provided for a 100 per cent tax on all profits in time of war exceeding a three-year peace-time average and vested in the President the power to conscript national wealth and material resources,[1] which was even less drastic than a pending Senate Bill prepared by the Committee investigating the

[1] *The Times*, 10.4 35 The Bill also empowered the President to fix prices, license all companies, except those engaged in newspapers, magazine and book publication, and to allocate the movement of essential commodities.

munitions industry. This was said to contain the following proposals:

> To take 50 per cent of the first 6 per cent of the profits of corporations and 100 per cent of all excess profits; to limit all individual incomes to $10,000 (£2,000) annually, and to absorb all in excess of that figure by income taxation, to impose taxes on all incomes from $1,000 upwards in sufficient amount to cover war expenses; to close all commodity exchanges, forbid speculation in commodities; fix prices at proper parities, and allocate commodities to processors; to establish a War Finance Corporation to assist the financing of essential war industries, to commandeer essential industries and services.[1]

On 1st July, 1935, a Government Bill on the organisation of the nation in case of war gave the Government drastic powers of requisition.

(*n*) *Debts Repudiated or Not Paid in Full*

(i) BELGIUM AND CONGO LOAN

In October, 1930,[2] the Court of Appeal in Brussels refused the application of a group of French and Belgian holders of 4 per cent Congo Loans of 1901 and 1906 to obtain payment of their coupons and redemption of the bonds in gold francs. The Court held that on account of the Royal Decree 4th August, 1914, establishing a fixed rate, with the position confirmed by the stabilisation law, the stipulation on the bonds that the interest certificates would be accepted on a gold basis had become inoperative.

(ii) BRITISH GOVERNMENT AND EGYPTIAN PUBLIC DEBT CONTROVERSY

When, in 1932 and 1933, the French and Italian Governments tried to force the Egyptian Government to pay in gold the annual obligations to bondholders in respect of foreign debt (which are controlled by the Commissioners of the Caisse de la Dette, an Englishman, a Frenchman and an Italian), the British Government

[1] *The Times*, 21 3 35

[2] Ibid., 3.10.30.

strongly supported the Egyptian Government in resisting this demand and in offering payment in paper. Although, under the 1904 Khedivial Decree (which contained the latest regulations for the service of the debt), the coupons were payable and the bonds redeemable in gold without any deduction, Britain protested that it was *morally* wrong for the gold standard countries to make Egypt suffer thus on account of the crisis.[1]

The Times published a significant statement by its Cairo Correspondent: [2]

> The present time is one when the foundations of all wealth have been so badly shaken that financial obligations of all sorts, even those recently contracted, have to be carried out as circumstances will allow, if all credit is not to vanish European Governments are defaulting right and left, compelling their creditors to make what arrangement they can with them!

The case was referred, as provided for, to the Cairo Mixed Court, which, in January, 1933, gave judgment that the Egyptian Government should pay the service on the Public Debt in "sterling at gold parity".

In May, 1933, the Egyptian Government announced that it would pay in paper pounds sterling and appealed to the Mixed Court at Alexandria.[3]

[1] Consult the files of *The Times*, in particular, the issue of 29 11 32.

[2] 29 11 32

[3] On 20th December, 1933, the Court adjourned till 11th April and 28th March, 1934; and the Italian Government declared that it shared the British Government's view. The French Government was understood to be reconciled to sterling payment for a limited period. The Mixed Appeal Court gave its decision on 15th February, 1936, declaring itself incompetent to try the case If the Court had upheld the judgment of the Court of first instance the Egyptian Government was ready to neglect its decision and continue payment in paper "It is no secret that the British Government was ready to support it in this course" (*The Times*, 17 2 36, Cairo Correspondent) The judgment leaves the matter open in theory, and the Egyptian Government continues to hold that the matter comes within the sphere of diplomacy and not of the Courts. Note also, that, on 18th February, 1936, the Mixed Appeal Court declared, in a judgment, that bonds of the Crédit Foncier Egyptien and the Land Bank of Egypt are payable in paper, reversing the judgment of the lower Court Both these banks' bonds are regulated by a gold clause like that of the above Public Debt bonds In April, 1936, the Egyptian Government stated that the service of the Ottoman 4 per cent Loan of 1891 and of the $3\frac{1}{2}$ per cent loan of 1894 should be paid in pound sterling legal

(iii) BRITISH GOVERNMENT AND GOLD CLAUSE IN CERTAIN BONDS

On 8th November, 1935, Mr. Justice Branson ruled in favour of the Crown, on a petition brought by a company incorporated under the laws of the Principality of Liechtenstein, regarding the effect of a gold clause in certain War Bonds issued by the British Government in 1917. It was held that, as it was impossible to pay in the United States in gold coin (the obligation of payment in which being the effect of recent United States Supreme Court decisions), the Crown obligation, in London, was, payment at the fixed rate of exchange calculated on the nominal amount of the bond, i.e. (depreciated) dollars of lawful United States currency when payment was due.[1]

(iv) FRENCH RENTES

When M. Poincaré carried out the stabilisation of the French franc, holders of French securities were deprived of four-fifths of their capital. Speaking of this procedure, Mr. Snowden, on the occasion of the Budget debate in the British House of Commons, 16th April, 1929, said: "Talk about Russia having confiscated property! They had done no worse than France had done. France had repudiated four-fifths of her national debt."

A leading London Conservative paper also commented thus on this happening:

> The holders of French Rentes were not consulted when four-fifths of their money was annexed in France by the devaluation of the franc. That is pure repudiation. When the Russian Government repudiated one hundred per cent of its liability, and the chief holders of Russian bonds happened to be French investors, a cry went up from one end of France to the other that tore the heavens. Yet France proposes to go four-fifths of that same road of repudiation.[2]

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tender; and that the notification made in earlier coupon payments, that "in the event of its being decided that payment of these coupons is due in gold, holders who accept payment on a sterling basis will do so without prejudice to their rights to receive the difference between the sum actually paid and that which they should have received on a gold basis", is no longer applicable.

[1] See *The Times*, Law Reports, 31 10 35, 1.11.35, 2.11 35 and 9 11 35.

[2] *Observer*, 28 9 30.

Again:

> When Russia defaults on private debts to the extent of twenty shillings in the pound, this is called pure dishonesty. When so rich a country as France keeps back sixteen shillings in the pound, honesty becomes a piebald jade.[1]

The following four issues of French Rentes were made in the United Kingdom during or immediately after the War: November, 1915: 5 per cent Rentes, f.602,426,400, issued at £3 4*s*. per f.100; October, 1916: 5 per cent Rentes, f.450,709,800, issued at £3 4*s*. 6*d*. per f.100; November, 1917: 4 per cent Rentes, f.67,972,900, issued at £2 10*s*. 6*d*. per f.100; and November, 1918: 4 per cent Rentes, f.520,000,000, issued at £13 12*s*. 4*d*. per f.500.

These issues resulted in the cash subscription of approximately £50 million sterling. Owing to the depreciation of the franc the 1930 value of the amount of these issues was in the neighbourhood of £13,500,000 only. The capital value of the Rentes thus depreciated by some £36,500,000, or 73 per cent, while the amounts received by way of interest diminished in terms of sterling by approximately 80 per cent.[2]

In the British Note of 24th July, 1930, to the French Ministry of Foreign Affairs from the British Embassy in Paris it was urged that repayment should occur in gold francs, the claim being for "an equitable measure of compensation" to the holders of these Rentes and not being based on grounds of strict law which could not be put forward. It was urged that

> the French holders of French Government securities, in their capacity as French citizens, obtained certain compensations from the depreciation of the franc, in the form of a reduction in the cost of living and an alleviation of the burdens which they would otherwise have had to bear as taxpayers. To the British holders of French Rentes the depreciation of the franc was a pure cause of loss.[2]

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[1] *Observer*, September, 1930

[2] Cmd 3779, 1930, Note 24.7 30 from British Embassy in Paris to the French Ministry of Foreign Affairs.

The British Note also contrasted the French attitude to British bondholders with the French Government's attitude in negotiation for settlement of the War Debts to France of Greece, Roumania and Yugoslavia, which was that

> although the obligations covering these debts were denominated in French francs (like the French Rentes issued in the United Kingdom), the nominal amount of the debts must be calculated on the basis that the contractual obligation of the Debtor Governments was to effect payment in gold francs.[1, 2]

The French Ministry of Foreign Affairs, in its Note, 28th October, 1930,[3] replied that there was no such condition of a guarantee regarding payment of interest or capital in the event of redemption in gold or gold values recognised in the issues, and that British holders could not be treated differently from the French. It considers that British holders subscribed

> to contribute to the successful termination of the War waged in common, by their participation in war loans which were bound to involve certain risks and which were, moreover, issued in a currency that was, as a result of the exceptional circumstances then ruling, on an inconvertible basis.[4]

As depreciation of the franc following the stabilisation monetary reform achieved in 1928 caused similarly heavy losses to French holders, exceptional treatment to British holders, it was urged, would cause grave difficulties.

A British Note, 24th December, 1930, proposed submission of the case to arbitration, but this was refused by the French Government in its Note, 17th January, 1931.

The French Government's view was thus, that the loan was subscribed under ordinary commercial risks, including the risk of the depreciation of the franc.

[1] Cmd. 3779 British Note, 24 7 30, op cit

[2] The French Government's reply, in its Note, 28 10 30, was that while putting forward this view, in practice in the final agreements with these three Powers at The Hague Conferences it abandoned it

[3] Cmd. 3779 [4] Ibid.

According to the *Daily Herald*,[1] in 1929, the French Government petitioned the Permanent Court of International Justice asking that loans issued by the Serbian and Brazilian Governments should be repaid in francs at the value ruling before the franc's depreciation; and the French Government's point of view was upheld.

Thus a leading capitalist state suited its convenience in making arbitrary distinctions between groups of property holders.

(V) UNITED STATES PRESIDENT (ROOSEVELT)'S BAN ON GOLD PAYMENTS FOR INTEREST ON BONDS

On 3rd May, 1933, President Roosevelt announced that the United States Government would not pay interest in gold on bonds and securities held by United States nationals and by foreigners,[2] but in depreciated paper dollars. The gold clause of the United States Government and municipal loans was suspended; and virtually there was a default by the Government.

This decision gave rise to some extremely interesting comments. In a letter, to which *The Times*[3] gave great prominence, Mr. F. H. Hamilton said:

> The decision of the United States Treasury to pay interest on gold bonds in paper dollars has not unnaturally raised a storm of protest here and on the Continent, but the vehement and intemperate language of a section of our own Press is deplorable, and seems as unjustified as it certainly is inexpedient. Two considerations ought at this important juncture in the world's affairs to exercise a restraining influence upon responsible critics One is that the British Courts recently ruled out the gold clause from a Belgian issue which matured after we had abandoned the gold standard . . It is, I imagine, not seriously disputed to-day that a condition precedent of real recovery is a reduction in the deadweight of fixed debt, national and international. Some apparent hardship to creditors and the purely rentier classes must necessarily ensue, but their innings has been a long one, their present position was for the most part artificially created, and to-day the magnitude of their interests, expressed in commodities, has become a more serious

[1] 16.9 30. [2] See *The Times* and *Daily Herald*, 4 5 33 [3] 6.5 33.

menace to world stability than Communism itself . I suggest that this is the act, not of a fraudulent debtor, but of a courageous, and in the best sense a conservative, statesman who understands far better than his critics its inevitable and far-reaching consequences.

The *Manchester Guardian*, in a powerful leading article,[1] said:

In the official view holders resident in the United States would gain nothing by payment in gold coin since they could immediately be summoned under the new laws which make "hoarding" of gold a heavily punishable crime. Those outside the United States cannot, indeed, be bidden to rest content with paper dollars on these grounds. But the American courts will be in a position to quote the British courts in holding that the most carefully worded gold clause does not entitle creditors to claim discharge of money debts otherwise than in current legal tender. This judgment was given in October by Mr. Justice Farwell and upheld in an appeal in March—though the case may yet be carried to the House of Lords—regarding one of the rare instances in which a British sterling bond was specifically payable in "gold coin . . . of the standard weight and fineness" existing on a date in 1928. Mr. Justice Farwell ruled that essentially the bond was an undertaking to pay money, and that in the circumstances the creditors could not refuse English paper money in discharge of the sum named. In general, it may be said that for the most part, all attempts to remove the unit of value outside the zone of State interference are being proved vain. The State is asserting itself as alone entitled to determine what the unit of money contracts shall be.

An opinion pronounced on 24th May, 1933, by Mr. Justice Phoenix Ingraham, of the New York Supreme Court, held that "current funds"—i.e. bank-notes and other paper currency—were full legal tender for the payment of mortgage bonds carrying a promise of payment "in gold coin of the United States of America of not less than the present standard of weight and fineness now fixed by law (notwithstanding any laws which may now or hereafter make anything else legal tender for the payment of debts)". The opinion was given in answer to a petition of the Irving Trust Company as trustee of a bond issue of the Libby Hotel Corporation, which was

[1] 5.5 33.

sold in 1924. The Trust Company had informed the Court that New York City, which had taken over the hotel property by condemnation proceedings, had declined to pay the condemnation award except in current funds, and it asked for a direction in redeeming the bonds. After noting that 96 per cent of the bondholders had agreed to accept current funds instead of gold coin, the Court observed: "By Presidential proclamation all gold coin and gold certificates have been withdrawn from circulation. Upon surrender of gold coin or certificates the holder has received other currency of equal coin value."

The opinion then referred to two decisions cited in the brief of counsel for the Trust Company. The second decision cited was that of the Court of Appeal in England in March, 1933, in the case of Feist *v.* the Société Intercommunale Belge d'Electricité. That ruling, Mr. Justice Ingraham said, he accepted as "deciding the question involved here".[1]

The President's action, through the Gold Reserve Act, 1934, and subsequent proclamation, reducing the gold content of the dollar, has led to various suits by United States or foreign holders of United States Government Bonds, who have been refused payment by the Treasury in gold, or its equivalent. The United States Congress, however, at its last Session in 1935, barred in advance any such "gold clause" actions against the Government started after 31st December, 1935.

(vi) U S STATES' DEBTS

Russia is often denounced for disowning debts of the Tsarist régime; but some U.S. States are in exactly the same position! Let a very reputable legal journal speak:

The Council of Foreign Bondholders in 1930 issued a Report as to international defaulters in payment of debt and interest, and Russia overtops the rest. For what the defence is worth, the

[1] *The Times*, 26.5 33.

Government of Russia can plead both youth and poverty, and there is some suggestion of a counter-claim in respect of armed expeditions to overthrow the Soviet Government. . . No such defence is available, however, for the second list of the defaulters, namely, certain component parts of the United States. The unfortunate holders of bonds of the State of Mississippi and other defaulters who shelter under the Stars and Stripes may perhaps wonder why a family harbouring so many black sheep is so shocked at the Soviet's dishonesty that it declines to give the Russian Government official recognition M. Stalin may plead, if he pleases, that the American repudiations had afforded him a valuable precedent. Incidentally the Council also deal with the suggestion made on behalf of the defaulting States that after the lapse of so many years, the original holders of these bonds are dead, and their executors, administrators and assigns may be difficult to trace, or anyhow, have got used to the loss of their capital and interest. . . . So long as repudiations exist the whole of the United States is tainted with fraud!! [1]

Further with regard to the indebtedness of the Southern States of the United States—which the Council of Foreign Bondholders' Report for 1930 [2] placed at, approximate principal outstanding £15,040,000, approximate interest arrears £52,339,200—the Council says:

As regards the only other group of repudiated debts—the pre-civil war and post-civil war issues of certain Southern States of the United States—the question put by Lord Redesdale on March 12th evoked from His Majesty's Government the reply that it had never been found possible to take up the question with the United States Government, which accepted no responsibility in the matter. At a conference which sat at The Hague on the following day the

[1] *The Solicitors' Journal*, 26 4 30, pp. 253–4

[2] *The Times*, 31 3 31, p 21—The Report gave a list of the many foreign (non-British) loans in default *The Times*, 19 4 32, gave a further list, showing Principal outstanding by seven States, defaulting prior to the world crisis, of £1,773,693,042, and interest of £1,219,845,162 The full list to date showed, apart from Russia and the United States, that there had been default in regard to the service on loans by Ecuador, Mexico, Argentine (provincial and municipal), Brazil (State and municipal), Chile, Hungary, Salvador, Nicaragua, Uruguay, Colombia, Santo Domingo, Bolivia, Greece, Bulgaria, Turkey and China.

Cf "There have been breaches of international loan contracts in recent years . 'Political necessity' has also played a part in these breaches" (*The Times*, 4 5 36).

consensus of international opinion was shown to be in favour of Federal responsibility for the acts of component States At the same conference the United States Government, in reply to a questionnaire, gave the repudiation of debts as a reason for its non-recognition of Soviet Russia. *Izvestia*, the official organ of the Soviet Government, on March 26th cited the American precedents in extenuation of the Russian repudiations. The National Commission on Law Observance and Enforcement, which was appointed by President Hoover, has decided that the question of the enforcement of the judgment obtained by the bondholders against the State of Mississippi, and confirmed on appeal in the highest State Courts, is not within its competence.

(*o*) *Spanish Land Legislation*

Although the Spanish Land Act, 1935, modified the 1932 Land Act, which provided for the expropriation of large areas of land owned by ninety-nine Grandees without compensation, by allowing compensation, in principle, for such land, it did stipulate that no indemnity would be paid for "señorios jurisdiccionales", i.e. lands given to the people by kings with certain rights of overlordship given to feudal lords who were regarded, subsequently, as owners of the property. The programme of a new Government, announced in March, 1936, provided for derogation of the above law indemnifying the Grandees or returning their estates to them.

(*p*) *The Application of Sanctions in the Italo-Abyssinian Dispute*

Arising out of the application of sanctions against Italy in the Italo-Abyssinian dispute certain losses resulted to individuals, and countries as a whole; League Members applying sanctions and Italy alike suffering.

The Report of the Sub-Committee on Economic and Financial Measures, appointed by the Committee of Thirteen, of the League of Nations, declared [1] that States Members of the League, in executing measures recommended by the League Council to render the Covenant more effective in the organisation of security, in the event

[1] See League Document C.O.S.C.7(1), 1935.

of one State repudiating its international obligations, might suffer loss; but it was impossible to measure such loss or to provide appropriate compensation, and sacrifices might be imposed upon private interests. This view was supported during the League Committees' discussions on sanctions.[1]

In answer to a question in the House of Commons, on 10th December, 1935, a British Government spokesman said that while the Government would seek to safeguard United Kingdom trade interests, it could not ask Parliament to provide funds for granting pecuniary compensation to British individuals whose work and livelihood were adversely affected by the imposition of these sanctions.[2]

The Legal Sub-Committee appointed by the Committee of Eighteen, arising out of the work of the Co-ordination Committee for the Application of Sanctions against Italy, under Article 16 of the League Covenant, in connection with the Italo-Abyssinian dispute, in 1935, expressed this opinion in regard to possible claims for indemnity for loss on contracts in course of execution, arising out of the embargo on the export of arms and munitions and on loans to Italy, and on imports from Italy: that such claims by persons in participating States against their own Government would be settled by the international public law in the State concerned; that claims brought by Italian subjects in the territory of a participating State must fail because prevention of execution of the contract resulted from a prohibition lawfully imposed; and that if judgment were obtained for the plaintiff in his own country, Italy, it could not be executed, even if claimed in virtue of treaties, for treaties could not override the effect of Article 16.

[1] Some forms of mutual aid, as partial compensation, were envisaged in certain cases only, for example, Yugoslavia received certain assistance from France and Great Britain

[2] In the House of Commons, on 12th May, 1936, Mr. Runciman said, in reply to a question, that, after careful consideration, the Government had decided that compensation could not be granted for losses attributable to sanctions imposed against Italy

(q) *War and Peace Treaty Confiscation*

Broadly speaking it can be said that modern nationalistic Governments often impregnated with quasi-socialistic ideas are always willing to interfere when it suits their game —Private property has not only been confiscated during the war. Very important expropriations have been arranged for in various peace treaties

The position of property and capital in foreign countries is much less secure than in the pre-war era.[1]

Adequate compensation was not paid when German patents, for example, dye and dyestuff patents, were taken by Americans, for cash paid did not cover potential value through exclusive knowledge of secret industrial processes.[2]

As a result of the Great War in the United States millions of people had much of their property quietly confiscated through no fault of their own.[3]

Consider also, the unprecedented degree of confiscation of German private property in Germany, ex-German colonies, Alsace-Lorraine and ex-Allied countries, enforced in the Peace Treaty of Versailles.[4]

[1] Memorandum by Professor Bonn, *Economic Tendencies affecting the Peace of the World*, prepared for League of Nations Economic Committee See *Annals of the American Academy of Political and Social Science*, July, 1930, p 206

[2] J. Donaldson, *International Economic Relations* New York, 1928, p. 97

[3] *Recent Economic Changes in the U.S*, 1929, p. 846 (Report of the Committee on Recent Economic Changes of the President's Conference on Unemployment, H Hoover, Chairman)

[4] See the various Articles of this Treaty and J. M. Keynes *The Economic Consequences of the Peace*, London, 1919, especially Chapter IV

Note—France got Alsace-Lorraine free (as Germany did not compensate in 1871)· private individuals got no compensation for loss of profits, through cancelled contracts German Crown and Imperial property in Morocco was confiscated. Japan got all property and rights in regard to improvements made or expenses incurred in Kiachow free. Article 297 of the Versailles Treaty did not envisage actual confiscation of German nationals' property Germany had to compensate her nationals for expropriated property, proceeds of sales being set off against debt claims. Germany, however, could not pay her nationals more than 5–10 per cent of amounts involved See Sir R Donald's letter to *The Times*, 20 7 29, for certain facts as to what actually happened up to 1929

(1) *Miscellaneous Cases: New Zealand, Queensland, Italian and Norwegian Legislation*

In most cases, in New Zealand and in Queensland, when lands are resumed for public purposes, no compensation is paid for minerals or subsoil rights. The Italian Life Assurance Enactment in 1912 allowed the private companies ten years' grace, but no compensation. When State Workmen's Compensation Insurance was made compulsory in Queensland there was no compensation allowance. Wellington City took over the Milk Supply and ultimately no compensation was made to the vendors.

The Queensland Cotton Industry Act, 1923 (in principle), provided that no compensation should be paid for loss where the Crown ordered crops to be damaged or destroyed for protection against the spread of disease or pests, etc.

Norwegian legislation, for example, has secured transference after a certain period of all large water-power stations from private to public ownership without any compensation. A similar course has been followed in recent French water-power legislation.[1]

(2) *Confiscation as a Normal Factor in the Economic System*

The normal working of the financial system of any country, with the rising and falling of prices and the operation of the gold standard, subjects the holders of fixed incomes to changes that, at bottom, are of the same order. The factors causing a Stock Exchange crisis like that in 1929 exercise a similar action. No-one asks the State for protection or compensation against this kind of "risk".[2]

[1] The Tithe Committee of Queen Anne's Bounty holds that the Government's policy, by its 1936 measure, for settling the tithe question, involves the expropriation of a part of the Church's net tithe income See its chairman's letter, *The Times*, 10 3 36, and Lord Hugh Cecil's letter to the same paper, 18.3 36

[2] During this economic crisis many exporters have suffered severe losses through the freezing of debts due to them and through exchange and other restrictions. They do not ask for compensation. On 24th October, 1935,

The normal operation of Trusts in squeezing out small business men, and the methods adopted by companies in capital reorganisations and "wiping out" capital, produce similar effects; as do the growing measures of rationalisation in industry.

It seems clear that wherever the State or municipality or other form of collective undertaking decides in any industry to enter into competition with private enterprise in so far as it attracts business away from the latter it is paying "no compensation".[1] The growth and success of the co-operative movement effect a like result. There is no demand for compensation in such cases.

In many States rates chargeable by public utilities are limited by public authorities and thus, in relation to the freedom of other private enterprise, confiscation occurs in principle. Even in the United States, all the States, except Delaware, have Regulatory Commissions for public utilities, e.g. gas, water and electricity companies; and the U.S. Shipping Board (1916), Interstate Commerce Commission (1887) and Federal Power Commis-

however, the Secretary to the British Overseas Trade Department stated that the Export Credits Guarantee Department was prepared to give some protection against this risk by guaranteeing payment in sterling within a definite period for United Kingdom exports, on payment of a premium. Even here, however, no protection was offered against the risk of fluctuations in a foreign currency

[1] Compare the formation of the Australian Commonwealth Bank In 1911, Mr Fisher set it up, without buying out any vested interest The Government got its capital by opening Savings Banks and by transferring its own money from the private banks to it

Under the Tennessee Valley Authority scheme, whereby President Roosevelt is building huge power undertakings to compete with private electricity concerns, he is said to be destroying the assets of holding insurance companies—without compensation

He is also preparing to build transmission lines in competition with private ones to take power from his stations, and private interests complain of his expropriation of their established interests without compensation Again, in undertaking the manufacture and sale of fertilisers and fertiliser chemicals, he is destroying the production and sales, and therefore the assets value, of private plants, without compensation

The 1934 British Government Bill amending the 1926 Electricity Act provided that the Central Electricity Board could compete with companies supplying it with current, thus tending to destroy their goodwill, without compensation.

sion (1920) regulate national utilities, the focus point being regulation of rates. They must meet clients' wishes and supply all who need it, at a reasonable price only.

In Great Britain, railways have their rates fixed, for example, and electricity and gas undertakings have their rates and dividends regulated, and various measures of restriction and regulatory standards laid down.

(*b*) The Case for Compensation

(1) *Inexpediency of Confiscation*

The issue between compensation and confiscation, however, is unreal; inasmuch as taxation actually is confiscation. The whole problem is one of expediency and method and a desire to deal the utmost justice all round. The arguments in favour of confiscation would be stronger if it were possible to propose general confiscation of private interests in big industrial undertakings; though, even then, the arguments that will follow should outweigh these. But as it, probably, will only be possible to apply the policy of collective intervention gradually, other factors have to be considered. As a general rule it would surely be unfair to dispossess one class of property-owners while leaving others, perhaps in a less defensible position, untouched. This would be to right one wrong by creating another. It may be that what on purely abstract grounds is morally right, on practical grounds is highly inexpedient. Failing a complete, sudden reorganisation of industry, society would have to rely for a time on some of the old motives; and any tendency to destroy general confidence among business men and among the people as a whole would be deplorable at any critical time of transition, for example, in a country economically situated as is Great Britain. Further, after all, the main necessity is the creation of an informed public opinion which will support the general and wider application of the principles of collective economy. If it is believed that a real advance towards

an era of collective economy is only possible on the basis of a firm conviction in the minds of the majority of the justice of the case for collective economy, it is most important to do nothing to shake public confidence in its principles, but rather to act only so as to increase the measure of the general consent thereto. Finally, it is possible to do justice even according to conventional standards to the present property-holding classes, by compensating them reasonably and to get back in other ways, for the State, some of the wealth at their command. By a levy on capital and/or a more steeply graduated income tax, increased death duties, and the drastic limitation of "inheritance", for example, the State can decrease the burden of the inequality in the distribution of wealth.

A country like Great Britain has special reasons for not repudiating her debt. A fair part of it is held as Trust securities, i.e. co-operatively, and by Savings Banks and Friendly Societies and insurance companies; so that repudiation would affect the poorer sections of the community; and in a country where there is democratic government, not only would this procedure be unfair to such people, but also a Government resorting to such a policy would surely not last. Special considerations arise from the fact that the middle and salaried classes own a fair amount of property. No large-scale collectivist movement can occur, in particular, without the consent of the middle-class; which, in Great Britain, is numerically strong and very powerful. Collective concerns will require all the help they can get from technicians and professional workers, and the civil servants and administrator class in general. Too little emphasis has been placed on this by the socialist movement; hence, a good deal of its weakness and failure to win power. The middle and the working classes must act together, against the purely financial interests.

Further, Great Britain could not lightly repudiate that part of its debt held by citizens of other States.

(2) *Communist Support for a Compensation Policy*

It is interesting to find that M. Trotsky sees no basic objection to payment of compensation. He says:[1]

> Broadly speaking, there is no ground for rejection on principle of the purchase of the land, factories and workshops . . . The chief task is the creation of the political prerequisites of nationalisation, and whether with purchase or without is a matter of indifference.

It cannot be agreed that it is a matter of indifference which method is adopted, for upon the method depends (again in democratic countries) the successful tenure of office of such a collectivist Government. Nevertheless, it is significant that some Communists agree that to pay compensation is not to violate a vital Socialist principle.

(3) *Basic Considerations*

Assuming then that compensation in some form should be paid, certain basic considerations arise immediately.

Should holders of all classes of property receive the same treatment, or should holders of certain kinds of property receive special consideration? How far should the "monopolist" element in any industry be taken into account in compensating? Should industries which receive a licence from the community to carry on be given full compensation? Should the claim to compensation extend beyond one generation? Should "moral" considerations be taken into account? How should the actual value of an undertaking be estimated? Should it be on the basis of "assets" or "profits" or on what basis? Should it be on the basis of reasonable net ascertainable revenue, assessed present value, the market value of stocks and shares, or capital value, less depreciation? Should an undertaking's capacity to pay compensation be on the basis of its present revenue or, for example, on the basis of revenue with lower prices to benefit consumers? What form should compensation

[1] *Where is Britain Going?*, London, 1926, pp. 171–2.

take, e.g. cash, Government Stock or Bonds, Stock issued by the undertaking, annuities? Should payment be a fixed amount? Should it be terminable? Should the State be obliged to make up payments due or should they be liable to be charged only against the undertaking's earnings? These, and kindred problems, require careful consideration.

(4) *Where Public Opinion might demand Confiscation*

It is possible that, as has been shown, in certain cases confiscation might be morally justifiable and expedient. For example, when the Prohibition Act was enforced in the United States, on moral grounds, there was confiscation. In the United States, the movement against slavery in the first instance proposed to compensate owners; but after the emancipation of 4 millions of slaves the owners received no compensation and did not demand any. In these cases, and in other cases such as the action of the English 1832 Reform Act, public opinion may support confiscation.

Mr. W. M. W. Splawn suggests[1] that it is possible that the United States Government

> might invoke some such doctrine as the right of eminent domain and deal rather arbitrarily with the owners of the railroads One must bear in mind that the Government did destroy several billions of wealth by emancipating the slaves, and vast sums again through the adoption of the 18th Amendment to the Constitution If the emotions of the people could be sufficiently stirred, they might be prevailed upon to take the railroads away from their owners without due compensation.

(5) *Differential Treatment for Various Forms of Private Property: Elements for which Compensation should not be Paid*

In certain cases the limitations already placed upon private property by the State may lead to a demand for special treatment in such cases, when it is expropriated.

[1] *Government Ownership and Operation of Railroads* (New York, 1928), p. 422.

Sidgwick,[1] dealing with the problem of compensation, says that if there is a moral objection to acquired property, little, if any, compensation should be payable.

From the legal point of view, in Great Britain, as liquor licences are only granted at the State's discretion, the case against compensation, if they are taken away, is different from that which arises when there are basic, legal property-rights.[2] Some other British industries are carried on under the licence of the community. Railways, for example, before, and, especially, after the 1921 Act, have had rates regulated, and the threat of State purchase is always there, by the 1844 Act; electricity and gas undertakings are also liable to State intervention. It might be that these special circumstances would lead to lower compensation being paid; but these elements would, in any case, be represented in the limitation upon the profits normally earned, or the market value which would constitute the basis for assessing the amount to be paid.

The problem of the injection of "water" into capitalist concerns must also be considered. Compensation ought not to be allowed in respect of watered capital, as in the case of the British railways. Mineral royalty-owners are peculiarly parasitic. Much harm is done to the community by some flagrant profiteers and exploiters. All those who exploit the production and distribution of the people's food and armaments' manufacturers are examples of interests taking an undue advantage of the consumers' and the nation's weakness. The argument against paying full compensation in these cases is strong. Probably many capitalists would refuse to compensate

[1] *Elements of Politics* (London, 1929), Chap XII, especially pp 193–7

[2] In moving the Second Reading of the Sugar Industry Reorganisation Bill, in the House of Commons, on 10th February, 1936, Mr W Elliot said that he would lay it down as a general principle that in taking over anything it would not be reasonable for claims to compensation to be founded upon moneys which had been voted by the House on a terminable contract. In this case the covenanted period of 10 years had expired and the period had been twice extended—the problem involved was the proposed amalgamation of beet sugar companies into a British Sugar Corporation.

in full in these cases, or at any rate would attempt to deflate monopoly values and regulate prices in advance.

The Town and Country Planning Acts, 1925 and 1932, provided that no compensation should be payable in respect of injurious affection of property by the insertion in a scheme of any provision prescribing the space about buildings, limiting their number, regulating their height, design or elevation, or prohibiting or restricting building operations, either temporarily or permanently, if the Minister thought these restrictions reasonable.

In its 1935 Bill for the organisation of the nation in case of war, the French Government stated that the State should have power to buy up agricultural produce and the products of industries at prices prevailing before mobilisation, clearly refusing any payment in respect of enhanced value due to the declaration of war.

In paying compensation it is also legitimate to contend that no allowance, or at any rate only a limited one, should be made for reserves, which may be looked on as a social property; it has taken the co-operation of labour and various communal resources to produce this surplus, and owners have had a legitimate return on capital.

Again, if Government aid—whether direct financial assistance, or protection—to an industry or undertaking has brought financial advantages to it and given it a better outlook, clearly the public, in expropriating, ought not to have to pay more on account of this.

If compensation is payable on the basis of so many years' purchase of reasonable and maintainable profit, it might well and only too fairly be argued that the number of years' purchase of a concern showing, at purchase, for example, 35 per cent profit, should have a lower number of years' purchase of profit than one with a lower percentage of profit.[1]

The British Housing Act, 1935, as compared with previous housing legislation, differentiated between good

[1] Cf The Labour Party's pamphlet on National Planning of Transport.

and bad slum landlords on the matter of payment of compensation on compulsory acquisition.[1] Note also this declaration by a Conservative Minister of Health, Sir Hilton Young, when asked by a Southampton M.P. if slum property owners could be compensated:

> It will not, I imagine, be contended that a man is entitled to make a profit out of selling bad houses any more than out of selling bad meat. The parallel is in no way unreasonable. The physical, not to mention the moral consequences, of living in an unfit house may be slower, but are no less certain, than those of consuming unfit food [2]

Doubtless, as has often been the case, when the arguments brought before the Tribunal[3] or Court awarding the compensation were being weighed, due weight would be attached to these "monopolistic" and "harmful" elements in the values to be fixed: and public opinion, learning the facts through the Press, would refuse to allow the "normal" compensation to be paid.

It might, at least, be possible to lay down a general principle similar to the one in the Acquisition of Land (Assessment of Compensation) 1919 Act. There one of the rules to guide those making the Award was: "Where the value of the land is increased in any manner which the law could restrain or is harmful to public health, or inmates of premises, no allowance shall be made for such increases." The South Australia Compulsory Requisition of Land for Public Works and Undertakings Act, 1925 (Consol.), also said:

> Where the value of the land is increased by reason of the use thereof and of any premises thereon in a manner which could be restrained by the Court or is detrimental to the health of the inmates of the premises and of the public health, that amount of increase must not be considered.

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[1] It abolished, however, the principle that compensation should be reduced below full site value according to the use to be made of the site compulsorily acquired

[2] *The Times.*

[3] Cf, for example, the provision, in this respect, of the London Passenger Transport Act, 1933, and the Sumner Committee Report on the Liquor Trade, 1917.

A difficult problem, however, arises in attempting to differentiate between various kinds of property. Strictly speaking, it is impossible to do abstract justice to everyone; and there is a good deal to be said for treating all interests alike, for this reason. At the same time it is undeniable that there are good reasons for treating certain interests apart.[1]

(6) *The "Capital Levy" Principle in Compensation*

If full compensation is not to be paid always, it might be possible to apply the principle of the Capital Levy. In the land laws in Roumania and Czechoslovakia, this idea was introduced. In the latter case the price paid for the land taken over was lowered by a percentage as the amount expropriated increased. In Czechoslovakia, the Capital Levy and Land Nationalisation laws were introduced together.

Also the Polish Law of 15th July, 1920 (No. 13), when it fixed the compensation for redeemed land, either by friendly settlement or by expropriation, at half the sale price, at the same time prescribed reductions of landed estates to lower the price at which the land is given up. Thus, if the price exceeded 500,000 Polish marks, there was a reduction of 5 per cent, if the price exceeded 4 million marks the reduction was 10 per cent, and above 5 million marks it reached 30 per cent.

Similar principles were introduced in legislation proposed in Italy (the Falcioni Scheme), in Bulgaria (the Obov Scheme), and Yugoslavia, namely, prices were reduced by a certain percentage for all large estates. The 1921 Roumanian Laws also distinguished between various kinds of owners.

It would be an excellent principle to pay small interests in full, but to make percentage reductions as the interests mounted in value.

[1] *Note*—The 1935 Ecuador Act on expropriation of land for internal colonisation provided that the unearned increment, as computed by Government experts, should be deducted from the indemnity allowed.

(7) *Other Means of Reducing Payment*

Again, in most of the Central European States, the expropriated owners lost considerably, in that they were paid in depreciated currency. The resources of most of the new States in any case would not have allowed what would have been considered "full" compensation.

Further, as in various cases payment of compensation was in 3–5 per cent bonds, and the rate of interest was greatly below the normal rate of the market for money, these bonds saw their nominal value rapidly dwindle.

(8) *Action to Reduce Amount Payable*

As has been said previously, the community already in certain enterprises fixes a maximum dividend, which, in effect, limits the value of the concern to the owner. Moreover, wherever Parliament or a municipal authority fixes prices or charges, the share values as well as the profits of the company are lessened, which means, that in case of expropriation, normally less compensation would be received than in the absence of such public control.

It is not desired to pay for expropriated interests more than is absolutely necessary in all circumstances. Therefore a Government, before embarking on a large programme of expropriation, might well take appropriate action to lessen the value of interests to be acquired.

In some industries, with monopolies, possibly action might be taken as a preliminary to control trusts and regulate prices. Further, interim legislation might provide for compulsory, greater publicity regarding costing, accounts, etc.

(9) *Basis of Assessing Amounts Payable* [1]

The methods adopted in estimating the value of the expropriated undertaking would vary: assessment might

[1] As an indication of the basis of valuation in various cases the following may be cited for reference:

(1) *Profits*

Liquor Trade (This has been regarded as a classic illustration in Great Britain) "Assets" method rejected. "Allowance to be made in exceptional

be on an "assets" or a "profits" basis. The basis might be so many years' purchase, according to the rate of interest, of the annual profits or of reasonable net maintainable revenue over a period of years, assessed present value, "market value" as reflected in the average price recorded officially on the Stock Exchange, or the price on a stated day, "reconstruction" cost, or capital value less depreciation.[1]

The 1933 Report of the Moyne Departmental Committee on Housing proposed that every owner of working-class property not entirely fit for human habitation should be made liable at law on a new basis of compensation, i.e. payment of what owners actually paid for the property, or value accepted for death duties if inherited,

cases where assets are not fully reflected in net profits"—See *Report of British Sumner Liquor Trade Finance Committee, 1917*, Cmd 9042, Sidney Webb's proposal to British Coal Commission (1919)—the same as that of the Sumner Committee, Japan Railways (Assets Construction Cost-basis if Company only in existence 6 business ½ years), British Telegraphs, Swiss Railways

(ii) *Assets*

Queensland Sugar Works Act (Land), Queensland Public Works Land Resumption Act, Canadian Northern Railway, Canadian Grand Trunk and Canadian Railways, 1919; 1882, British Electrical Undertakings, British 1919 Acquisition of Land (Assessment of Compensation) Act, British Telephones (private wire plant on "profits" basis), British Tramways Act, 1870; (British) 1872 Liverpool Tramways, (British) Marylebone Electricity Undertakings; (British) Liverpool Electricity Undertakings, Denmark Railways (Zealand), Wellington City Milk Supply, Transvaal Railway; Victoria Railway, E India Railway, Bombay, etc, Railway, Roumania—Land Expropriation, Czechoslovakia—Land Expropriation; Port of London Authority, Austria ("concession" Railways), British Miners' Federation proposal to 1925 Royal Commission on Coal-Mines

(iii) *Construction Cost*

German Submarine Cables, Tugs, etc

(iv) *Other cases*

French Railways (Profits or Company's right to valuation at Construction Cost); Italian Railways (Profits, or at construction cost in certain cases); British Nationalisation of Mines Bill, 1913—Both profits and assets to be taken into account, Denmark (Jutland and Funen) Railway, "Assets" (i e construction cost) or "profits", Brisbane Trams (Order of Governor-in-Council states basis), (British) Sankey Report on Coal-Mines—"Fair value".

[1] In its 1935 Bill on the organisation of the nation in case of war, the French Government provided for State acquisition of buildings, the rent of which would be fixed on the interest of the capital value calculated on the basis of the interest paid on Government loans.

or value adopted for stamp duty if acquired by deed of gift. That is, the consideration disclosed on the latest transaction prior to the date of the Report should be taken as the compensation to be paid. "In other words we would give them their money back." [1]

The basis of assessment should depend, to some extent, upon the position of the undertaking taken over. Obviously, the basis that would give the lowest possible amount should be chosen.[2] If a profits' basis were taken account should be taken of provision for reserve and depreciation funds. Certainly the number of years' purchase would be less for a wasting asset than for property in a better condition. It also should be less than the normal figure where dividends were abnormally high. On the whole a profits' basis would seem to be, generally, best for the community as purchaser; but only a reasonable average annual net [3] revenue or profit should be admitted.

(10) *No Allowance for Enhancement in Value due to Expropriation*

As the South Australia Closer Settlement Act, 1915, stipulates, there should be no allowance for any enhancement in value of an undertaking through the proposal or Act of expropriation.

The 1931 London Passenger Transport Bill said that the arbitration tribunal should take into account the provisions of Section 63 of the London Traffic Act, 1924. After declaring that no value should be conferred on any undertaking by the 1924 London Traffic Act, it said

[1] See Cmd. 4397, 1933.

[2] That the lower amount of compensation should be payable in case the choice is between two methods is suggested by an American writer. In 1927, it was estimated by Mr Splawn that the total capitalisation of U S railways was $18,747,040,705 He also stated the average annual net operating income, 1925–7, to be $1,153 million, and capitalising that at the current rate of interest it was clear that compensation at that rate would be heavier In that case the lower basis should be taken, he said.

[3] I e. after deducting an allowance for allocation to reserves and depreciation, and bearing in mind the extent to which the condition of the undertaking warrants the supposition that such revenue will continue to be earned

that if any undertaking providing means of transport within the London traffic area were purchased compulsorily by any local or public authority, that part of the value of the undertaking attributed directly to this Act or any order, schedule or regulation made thereunder, should not be taken into account.

(11) *No Allowance for Compulsory Acquisition*

There should be no allowance for compulsory acquisition. Such a provision has been inserted in some legislation, e.g. Compulsory Acquisition of Land for Public Works and Undertakings Act 1925 (Consol.), South Australia; Victoria Electric Light and Power Act 1915; British Lands Clauses Consolidated Act 1845; British Tramways Act 1870; London Passenger Transport Bill 1931, and London Passenger Transport Act 1933; but in the case of the New Zealand Public Works Act 1908, there is provision for an allowance for compulsory acquisition.

(12) *Deduction for Increase in Value of Connected Property*

In the case of the Public Works Land Resumption Act 1906, Queensland, there is to be deducted from the compensation paid an allowance for the increase in value to adjoining land. This is a sound principle, which should be followed.

(13) *No Allowance for Goodwill?*

It is usually held that compensation payable on compulsory expropriation should include an allowance for goodwill, e.g. Liverpool Tramways Purchase 1897, British Sumner Report on the Liquor Trade. There are, however, cases where goodwill has not been allowed; e.g. purchase of a private electricity undertaking by a local authority, under the Queensland Electric Light and Power Act 1896; Victoria Electric Light and Power Act 1915; New Zealand State Coal Mines Act 1891 (when the Government resumes land, compensation shall not include goodwill for any mine and premises

taken); Italian State Life Insurance Act; British Electrical Undertakings Act 1882; and the purchase by the British Post Office of the trunk lines of the National Telephone Company.[1]

(14) *Valuation as at an Appointed Date*

In order to prevent any inflation of the value for which compensation should be paid the Labour Party proposals for the acquisition of land by the State fixed an appointed day to which compensation would be related, e.g. that of the passing of the Act, and provided that, generally speaking, when taken over subsequently no land should have a value greater than if it had been taken over on that day, apart from allowances for improvement or deterioration.

(15) *Compensation as Equivalent Security*

The person compensated should receive, normally—and with exceptions as suggested already—an income or security equivalent to that formerly obtained.[2] In fixing the amount receivable by way of compensation, due regard should be paid to the fact that Government security is to be obtained in exchange for the interest surrendered, when this occurs. Value received in exchange in Government securities should be less in total than that given up, on account of the greater security received.

(16) *Form of Payment and its Duration* [3]

The payment might take the form of a lump sum, bonds or annuities, or the guarantee of fixed dividends

[1] The British Government, 1935, proposal for purchase by the Sugar Beet Corporation of the Beet Sugar Companies was understood not to provide for an allowance for goodwill.

[2] *N B*—In the Bill introduced by the French Government, on the organisation of the nation in case of war, it was provided that the State could acquire compulsorily industrial or commercial establishments to be worked as a monopoly, compensating the owners on the basis of their previous declaration for income-tax purposes See *The Times*, 2 7 35

[3] The following cases may be cited as examples of different methods used
Lump Sum
Canadian Northern Railway, Queensland Public Works Land Resumption;

for a number of years. Payment by lump sum should not occur, except, perhaps, in the case of a quite small sum. Such payment would be possible through the yield of taxation or rates, or by borrowing. In cases where it proved possible to pay a lump sum from the proceeds of taxation that would be desirable, as it would leave the public authority a free, unencumbered property. For example, wherever undeveloped land near a town or waste land for afforestation could be bought cheaply, that would be good policy. Payment by borrowing would be undesirable, though any debt created in so doing could not be open to the criticism to which augmentation of the national debt in other ways is exposed.

It would be preferable, in order to avoid raising a loan, to give compensation in the shape of either perpetual or terminable annuities. The amount of compensation, and therefore the present value of the annuity having been agreed upon, the owners of the property would be given in exchange for their holdings, Government or other denomination of stock, freely negotiable, which would earn a fixed or a variable [1] rate of interest, determined by current circumstances, and approximately

Denmark Railways; Australian Sugar Works Act, British Telephones—Trunk Wires, New Zealand Public Works Loan Act, New Zealand Mining Act 1898, New Zealand Land Laws Amendment, Liverpool and London Tramways, (British) Lands Clauses Consolidated Act

Stock

Metropolitan Water Board "Sum payable"—partly or wholly in Water Stock, (British) Sumner Liquor Trade Committee 1917, Port of London Authority; Miners' Federation Proposal to 1925 Mines' Commission, Sidney Webb's proposal to 1919 Mines' Commission, Japan Railways, Bombay and Central India Railways; Ministry of Transport Act 1919 (wagon purchase); Queensland Mt Garnet Railway Act

Cash or Bonds

Czech Land Nationalisation; British Liquor Commission ("Cash or Bonds" —up to £500), New Zealand Coal Mines Act, New Zealand Land for Settlement Act.

[1] The London Passenger Transport Act 1933 provided for fixed interest in certain cases, and for variable interest in others, with a fixed maximum. This maximum is essential Moreover, it is doubtful whether the interest should be accumulative. This Act provided for a fund, to be fed in fat years to help to pay the amount due in lean years.

equal to that on long-term Government loans or similar trustee securities. The public authority would be able to effect redemption at par at any date convenient to itself when it might be enabled to reborrow more cheaply through a fall in the rate of interest; whereas the holders would not be able to insist on redemption at any fixed time.

Annuities, of course, might be terminable after a stated number of years; but though it would be advantageous to get the undertaking free of encumbrance as early as possible, the terminable annuity, in necessitating a greater yearly payment than a perpetual annuity, would impose a bigger burden on the public authority or the socialised industry in the first few years of its existence when it needed most to prove itself.

A terminable annuity might also be such that the yearly payment was reduced gradually; though here again the heavy initial payment discourages the use of it. It might, again, be regarded as a fixed allowance, or dividend for a given number of years. Clearly the terminable annuity method covers automatic provision of a sinking fund allowance.

At the Southport Labour Conference, in October, 1934, a proposal was made by the Socialist League to compensate owners only by providing income allowances for a period of years—say twenty or thirty; but without including any provision for capital repayment except "for working-class funds, trust funds for socially useful purposes, and individual cases of proved hardship". Fair interest should be given. The fullest compensation would be given in the case of trade union funds, hospital funds and funds of public utility concerns. This proposal was defeated.[1]

Although such limitation of the duration of compensation payments was rejected it is interesting to notice that the 1933 Labour Party Report on public owner-

[1] It was urged, *inter alia*, that the sale price of a house (taken over by the State) let at a rent, which the owner would be allowed to receive for twenty-five to thirty years, would be brought down.

ship and control of the "Big Five" joint stock banks,[1] urged that "the financial arrangements made with shareholders should provide that their claims to receive payment from the Corporation,[2] should end after a specified period of time"! The mind of organised Labour is very uncertain.

(17) *Some Compensation Provisions in British Legislation*

(*a*) *Compensation Method in British Coal Mines Legislation*

An interesting method of approaching the compensation problem was suggested by the provision in the British Coal Mines Act, 1930, under which, within the district quota allotted by the Central Council, good pits suffering a reduction of output, in order to bring them within the terms of this scheme, could arrange for a transfer, by temporary or permanent purchase (which might shade into permanent suspension) of the quota belonging to other pits. In moving the Second Reading of the Bill in the House of Commons, the President of the Board of Trade urged[3] that, although it would be said that this would constitute a financial burden for the more efficient pits, the existence of such uneconomic pits was a menace to the industry; and that weak units could be exterminated only in some terms of compensation or by recognition of their assets in the capital of the amalgamated company. Therefore, under any amalgamation scheme, the industry itself would have to meet this necessity and make provision within itself for the expropriation costs involved in buying off the competition of these weak pits; for no one suggested a contribution from public funds for the purpose—that would be quite out of the question. The stronger pits would have every inducement, obviously, to make the industry pay as little as possible, in whatever way it did so; and, if

[1] See *Socialism and the Condition of the People*, 1933

[2] I e the Banking Corporation—the public organ into which the Joint Stock Banks would be amalgamated

[3] See *Hansard*, 1929–30, Vol 233, 17th December, 1929, C. 1262–3.

it took over the mines, subsequently, the State, with proper handling, would experience lower total expropriation costs.

(b) British Labour Government Proposal for Compensation

The recent London Passenger Transport Bill indicated the lines along which a British Socialist Government would probably proceed in acquiring a private enterprise. This Bill proposed that private Underground and Metropolitan Railway concerns would be taken over by the new public Board on the basis of an exchange of the Board's Transport stock for the existing stock. Other private undertakings might be acquired, it said, partly by payment in cash and partly by stock. The Arbitration Tribunal created would settle terms with special regard to average net profits earned during the three financial years immediately preceding the passing of the Act, and the probability that those profits would have continued to be earned if the Act had not been passed. Net profits were to be assessed after all proper charges had been met, including adequate provision for replacement and renewal of all assets, subject to depreciation or obsolescence.

The new stock created would be in the nature of fixed interest bearing securities, the rate to be fixed by the Board in consultation with the Treasury.

(c) Final Compensation Provisions in London Passenger Transport Act, 1933

This Act provided that, in the case of most undertakings, compensation was effected by an agreed exchange of London Transport Stock for existing stock. Certain omnibus undertakings were to be paid partly in cash and partly in Transport Stock, or wholly in cash or Transport Stock. In some cases interest payable on Stocks was fixed, in others variable. The Stocks and interest thereon were a charge on the London Passenger Transport Board and its revenues. If in any year the revenues were insufficient to pay the standard rate, the

highest rate possible was to be paid; and when, in any year, the interest fund was not wholly distributed, the balance should go to a special fund, to be used when funds available were insufficient to pay interest up to the maximum fixed.

Redemption of stock was to occur after ninety years at the latest, and there was to be a Sinking Fund.[1]

(18) *Should Compensation Obligations be Chargeable against the Undertaking's Earnings, its Assets, or the State?*

The owners' income would be secured upon the public property in question. The London Passenger Transport Act, 1933, makes the service of Compensation Stock valid against the concern's earnings. Fares and charges are to be fixed, and the undertaking conducted so as to secure the revenues necessary to defray the charges provided for by the Act, with reference to the Railway Rates Tribunal regarding fares, as necessary, with the above object in view.

It seems desirable that such charges should fall upon the concern's earning or assets and not, ultimately, upon the general State revenues. This exposes the holders to a certain, and a justifiable risk, if the concern's capacity to earn revenue diminishes. The State might have to subsidise the concern (though it should do so only for special reasons); but, if so, the subsidy should not be at all in respect of compensation dues—unless, in order to stimulate the investment of capital, it gave a deliberate and a special guarantee of these dues for a given number of years.

Thus the compensated owner's claim would be in the nature of a right to variable interest rather than to a fixed dividend.

On this point, however, again there is a difference of opinion in the labour movement. In the draft plan for the public ownership and control of the coal industry advocated in the report of the Trades Union General

[1] See the Act and the Minister of Transport's statement in the House of Commons on 14 2.33

Council to the 1935 Congress at Margate, it was stated emphatically that the cost of State acquisition of all mining royalties "would not remain a burden on the proceeds of the industry but would be borne entirely by the State". It held this view inasmuch as the major task of a socialised industry would be the determination of wages and prices. "A proper level of wages in the industry must be taken as the starting point." Undoubtedly to justify itself a collective concern must pay a proper level of wages and seek to reduce prices. This makes it all the more essential, in fixing the amount of compensation to pay regard to the real earning capacity of the concern, in relation to any special need, as in this industry, for raising the general level of wages. Estimated value cannot ignore this element. The main point, though, is that a collective concern cannot, because it has a special duty in regard to its employees, be handled from the accountancy point of view in quite the same way as a private concern. This will be referred to again subsequently.

(19) *No Foreclosure Rights for Holders of Compensation Stock*

In certain cases, e.g. by the London Passenger Transport Act, 1933,[1] it is stipulated that 5 per cent of holders of certain Stocks may apply to the High Court for the appointment of a Receiver in the event of non-payment of interest in some cases for three months, and in others, for each of three consecutive years. The Port of London Authority is subject to a somewhat similar obligation.

This ought not to be allowed; nor should holders of Compensation Grants have voting rights of any kind.

(20) *Sinking Fund for Redemption*

A Sinking Fund should be created for redeeming all stock made for compensation purposes, for purchase at the market price, at or below, but never above, par. It has been suggested, and with good reason, that, to accelerate such redemption, socialised industries or

[1] As by the Labour Government's London Passenger Transport Bill, 1931.

services should be fed by Government subsidies to promote the creation of good sinking funds, such grants coming from special taxation, for example, super-tax or death duties. Moreover, wherever possible, the public authority should buy the stock in question, cancelling it or using the holding of it as a means of revenue.

(21) *Objections to these Methods of Compensation: Where the Gain Lies*

There are certain common criteria directed against the pursuit of a policy of compensation which are based upon misunderstandings. There is a popular impression that such forms of collective intervention involve the raising of enormous loans. Evidently this is not the case, inasmuch as large lump sum payments are not suggested. The exchange of a concern's shares for the fresh stock, from this aspect, is merely a paper difference; and the new claim on the industry is an annual one, like previous profits.

More serious objections, that perplex many people, are that the expropriated interests will be left with the same income as before; and that the benefit of collective intervention will be doubtful. Certain considerations, however, must be remembered. The rentier's claim can be limited in point of time. His new income may be less on account of the superior fresh security, and the State can always profit by redemption at its convenience. Moreover, as will be indicated shortly, taxation operations will strike at this, as at other wealth when it assumes large proportions.

The gain, however, of this collective intervention does not end there. Apart from the fact that there is a better chance for doing justice to the workers in the industry, in the shape of higher wages and better conditions, there is a great advantage for the public authority in its control of policy. The socialised service can be forced to develop to social needs. The public authority can use its control to lower prices or charges, and to improve the quality of the service. Also, after redemption of claims, society gets free ownership of revenue-

yielding property. Through superior efficiency, the State can produce economies in operation. Its power to borrow more cheaply than private enterprise offers further possible economies. There would be a further gain to the community in public control of the investment of capital, yielding very tangible economies and advantages.

The financial gain resulting from operation by a public authority was well illustrated by the 1931 London Passenger Transport Bill's provision that the new Board to be created, in taking over local authorities' tramways, should not apply to them the test of profits by which company-owned concerns were to be valued; for they were created primarily for the public service to promote a cheap and reliable means of transport for the people. Nor could the method of exchange of stocks be used. A method was to be adopted to deal fairly with ratepayers and avoid putting an unduly heavy burden on the new authority which it would have to transfer to the travelling public; so it was decided to relieve the ratepayers of future charges regarding their tramways, the Board assuming the service of the outstanding debt. This brings out clearly the essential difference between a private company's attitude to its capital and revenue and that of a public authority. The former does not wipe out its debt, while the latter (even if it shows sometimes a book loss) does, instead of providing profits.[1] Hence the ability of this Board to take over these tramways on such terms and relieve the travelling public.[2]

The extent to which the public authority would be able to give its employees better conditions and to offer benefits to users and consumers would depend upon its policy. It would have to decide which interests took precedence: better conditions for employees; lower charges and prices; better quality of goods or service; improved facilities; or redemption of debt.

[1] And in addition to having generally lower charges

[2] The final London Passenger Transport Act, 1933, said that local authorities' tramway undertakings would be paid for in stock or in cash equivalent to outstanding debt, the L.C C. received £8½ million for its tramway system

(22) *Distribution of the Compensation Burden over the Next Generation*

In the early years of the life of a State undertaking, it would not be possible in all cases to meet all these desires. Hence, when sinking fund payments have to be met, in addition to annual compensation charges, important economic considerations arise. How far, for example, ought one generation to bear the burden of compensation?

While, in certain circumstances, it may be possible, and even, for tactical reasons, desirable for a public authority, in seeking to show its capacity to run an industry, to make charges and rates such that the gross income of the undertaking enables both depreciation and sinking fund provision to be made with a net profit, from which the annual compensation charge is paid, as well, as a general principle it ought not to be held that a public concern should bear a greater burden than a private one.[1]

Compare the normal practice of private and public concerns. Hostile private interests have tried to attack public industrial services for showing deficits which were due to ample provision for sinking fund as well as depreciation.

Private concerns get money to buy their equipment usually by issuing stock, which they never propose to buy back from plant earnings; they merely pay interest on money received, if dividends are earned. Depreciation reserves are set aside to provide for the cost of the plant at the end of its life. Public authorities, municipalities for example, propose to redeem at maturity bonds issued for construction or purchase of plants, through a sinking fund fed from earnings (and sometimes in the early years from taxes) to equal the plant's cost

[1] This problem is very well and forcibly discussed in articles by the City Clerk of Oakley, Kansas, U S A, "Should a Municipal Plant provide for a Depreciation Fund?", reproduced in *The Annals of Collective Economy* (November–December, 1927), and by Mr J Beckett, Secretary of the Municipal Tramways and Transport Association, in the *Municipal Journal*, 2 9.27

at the end of its life. If only this provision were made at this point, with the bonds paid, the municipality would have neither plant nor debts; and to continue the former would have to issue new bonds.

Municipalities often try to make provision for depreciation and redemption; and it is thought to be the right policy. These arguments, however, weigh against it. The attempt ought not to be made to pay for one plant and allocate funds to buy another, for that would mean abnormally high charges. Moreover, for this generation to pay for plant to be used by the next, is in principle unfair—the next generation ought in this respect to meet its own needs.

This final argument would hold even if the whole economic system were socialised and relatively the solvency of individual undertakings mattered less; but in the present period the first point is most essential. It is unfair to the great mass of consumers of the products of a public service, which is composed of workers, to pay heavy charges through disproportionate provision for the future.

As with private companies, so with public concerns, from time to time small amounts may be paid from earnings for improvements and extensions, but large amounts come from special issues of stock. Vigorous and prosperous public businesses would set aside certain small surpluses for special and not too heavy emergencies, if not supplied out of earnings.

The upshot of this argument is, that the same economic principles are involved in the practice of a concern which has been expropriated and which has compensation charges to meet. The burden of compensation ought to be spread over more than one generation.

(23) *Other Economic Considerations*

It might well be that a public authority would decide that it would be in the general interest to contribute towards sinking fund charges for a few years from a special fund created. Normally, an undertaking should

aim at being self-supporting;[1] for while a public concern cannot allow itself to be governed entirely by the economic principles of a private capitalist concern, such a policy would make for efficiency. At first, in order to forestall hostile public criticism, it might be deemed particularly wise to pursue such a policy. At any time, however, it might be thought to lead to a more equitable distribution of national wealth to lower the industry's charges and take less revenue, or even subsidise an industry. Most emphatically in any case, normal capitalist standards should not be allowed to rule. The national economy as a whole must show a balanced budget; that is the major consideration. Other tests of economy and efficiency could be devised. Proper auditing and publicity, which do not obtain now in very many cases, would help to ensure economy and efficiency; which would in any case be sought by the public, workers' and consumers' interests and by the technicians running the undertakings concerned.

Attention must be devoted to the further criticism that such a compensation policy would increase the national debt, which is highly undesirable. In the first instance it is curious how people who cheerfully allow the national debt to be used for purposes of war complain about debt incurred for healthier purposes. There is a great difference between the former, non-productive debt and productive debt represented by capital assets, valuable revenue-producing properties. Whenever a national public authority or a foreign State issues a loan, it is a customary capitalist practice to analyse the debt of the authority in question and indicate the condition of the authority's finances; and if there are good capital assets and revenue-producing properties, the loan is usually well subscribed. Therefore, even if it were a question of a loan to pay compensation, this would not be in the same category as ordinary debt.

This confusion in the public mind must be cleared up.

[1] This was expressly provided for in the 1931 London Passenger Transport Bill

Generally, it would be well not to increase debt for purposes where there is not yielded the means of paying interest and sinking fund charges. It should be emphasised, however, in this connection that even what is called non-productive debt cannot be classed in one category. Certain extremely necessary social services may be rendered by the expenditure of capital involving creation of debt. Expenditure on roads and sewers, partly in the interest of the future, is highly justifiable.

The rentier class must not be allowed comfortably to take up permanent quarters at the community's expense. Strict limitation within very small limits of the power of inheritance should be introduced, affecting this, as all other forms of property.[1] Moreover, more steeply graduated taxation would cut down the rentiers' enjoyment of large surplus incomes.

It might be decided to limit payments after the holder's death. Addressing the Summer School of the Independent Labour Party, in August, 1924, Sir Sankarin Nair said that when the Indian Government nationalised property it did so on a basis which gave full income to the present generation, a half income to the second, a third to the next and thereafter it ceased.

(*c*) Events in the Saddle

While the above arguments indicate the writer's belief that, in present circumstances, the payment of some compensation to expropriated holders of private interests in industry should be made, it is most necessary to emphasise that compensation is given not as a right, but as an *ex gratia* payment, on grounds of expediency. It should be paid, or not, according to circumstances. Events are often in the saddle and dictate the policies

[1] The Report of the Finance Enquiry Committee of the I L P., in 1925, proposed an interesting and less drastic method of limiting inheritance rights —the compulsory surrender of 50 per cent of estates above a certain amount in exchange for terminable annuities, only limited categories of property being accepted by the State in this exchange, e g War Loan, Compensation Stock, land and shares in specified undertakings due for early socialisation, thus giving the State, beyond the death duties, considerable property every year

of statesmen. If the predominant private and financial interests refuse to shoulder the burden of meeting a great need, in an hour of national necessity, by limiting their economic privileges, the pressure of economic conditions may weaken the force of the appeal to reason and the patience of the salaried, technical, professional and manual workers, and strengthen the elements making for a policy of confiscation.

CHAPTER VII

METHODS OF COLLECTIVE INTERVENTION[1]

The Importance of the Extension of Collective Ownership and Control of Industry

This study is inspired by the belief that collective intervention in industry and economic life will promote economic efficiency, economic stability and economic equality.

There can be no doubt that the extension of the principle of public ownership and control of economic services is of the very first importance in relation to the necessity of abolishing the extremes of poverty and possession of surplus wealth and the "employer-worker" relationship based upon considerations of heredity and finance capitalism, and of compelling every able-bodied member of a community to undertake a fair share of the necessary work. The triumph of these three ideas is ardently to be desired, as giving a society in which the notion of "class" based upon capitalist considerations does not exist; and while there is no intention to discuss them here, it must be asserted, forcibly, that they cannot be enthroned without the triumph of the principle of public ownership and control of industry. Under an economic system characterised and dominated by private ownership, wealth will not be fairly distributed; and "masters" and "men", and, therefore, an unequal distribution of labour and wealth, obviously will continue

[1] See, *inter alia*, the *Annals of Collective Economy*, Geneva, International Journal in four languages, edited by Professor Edgard Milhaud. This unique publication is a rich and an incomparable source of information on this subject See also in particular, *Industrial and Labour Information* (I L O Weekly, Geneva) and *The Times* (Files).

to exist. With the triumph of the collective and co-operative principle, however, in industry and economic life, there is the chance of accomplishing these things. When industry is, broadly, publicly owned and controlled there will still be important decisions to be taken about the allocation of the product of industry and of the necessary work, and about the direction of industry; but the primary effort must be directed to the extension of the collective direction of industry, with the elimination of the power of finance capital, and to the consideration of the best methods of administering it in the interests of efficiency, equality and general well-being.

This belief has led to the further conviction that the more rapid development of a public opinion which will speed up the "collectivist" movement will be assisted by a demonstration of the extent and rapid growth of "collectivist" ideas in industry and trade and economic life in general, and of the proven capacity of "collective" undertakings to increase economic efficiency and to promote economic progress. In this work the passionate desire and determination to work for the emancipation of the working class and the technicians, professional and middle classes from the shackles of finance capitalism, have been strongly disciplined to the prosaic task of analysing the hard facts of the economic world as it is, in order to discover the tendencies at work in it and to seek the best methods of attaining and organising the development of collective economy.

The Mere Development of Collective Concerns Insufficient

It must not be thought, however, that this argument presupposes that the steady development of collective concerns, by municipalisation, nationalisation, or other forms, suffices as an objective for "collectivist" activity. The full gains of "collective" ownership and control in single concerns cannot be achieved apart from action on a wider, national (and nowadays an international) scale. The interdependence of industries, their collective

dependence on the financial and banking system, and the necessity of planning the whole of a community's economic activities to permit a proper investment of capital and distribution of the fruits of productive effort, and the interdependence of national economic systems, all these show the futility of seeking to achieve collective economy by the old method of piecemeal intervention alone. For these reasons, sections of this study deal with central collective intervention in economic life, national economic councils and world economic organisation.

Before proceeding to analyse the experience of "collective" undertakings and the different methods adopted in organising them, it will be profitable to examine the question of the general approach to the problems of collective intervention.

Evolution and Revolution

Some people urge that evolutionary methods must not suffice in the struggle to abolish the existing capitalist system. It is possible to share wholeheartedly the desire to achieve this end rapidly and yet to hold another view. It must be said, however, that the strong upholders of the present, capitalist order of society cannot object to the use of violence to achieve the triumph of collective economy; for the capitalist system has been sustained by violence. Its unjust economic and other laws have maimed the lives of countless millions of human beings, dwarfing their personalities; and the handmaid of capitalism, economic imperialism, has led to the bloodiest of wars, menacing the very basis of civilisation. Nor can the Bolsheviks in Russia be condemned by these people, however much one may deplore some of the methods they have adopted. Their aim has been to free the people from a particularly obnoxious form of political and economic slavery; and they have striven, with a real measure of success, in a hostile world, to bring substantial improvements in the life of the mass of the people. When the State has

been in danger and the political and economic situation has seemed to demand it, Capitalist, Socialist, Fascist and Nazi parties alike have not hesitated to tolerate the adoption of such methods. If evolutionary progress is thwarted, in any country, revolutionary measures may seem inevitable, if not justifiable. Again, it might be that in an advanced, Western democratic State, evolutionary progress might proceed so rapidly that at a given moment something like a revolutionary situation would occur. Even in Great Britain, at the time of the passing of the 1832 Reform Bill, it is held that there was almost such a situation. In any case, in any country an urgent economic or political situation might arise in which a party might have courageously to seize the reins of government in the general interest of the community. In any such situation, however, public opinion would have to be *ripe* for such action, which would be of an *emergency* character, and should not lead to violent treatment of individuals.

Necessity of Political Liberty

In passing, let it be said, although this question cannot be discussed here, that no economic system must be tolerated which is not accompanied by a broad measure of political liberty and which does not rest upon a freely acquiescing public opinion. Ultimately the triumph of the collectivist idea depends upon the education of public opinion; and no economic change really can be permanent which has not a fully enlightened and determined popular support. In other words, a collective economic system must be, in principle, a democratic one. At the same time it will demand a large degree of discipline: a consideration overlooked by most British Socialists.

The Folly of Premature Seizure of Power

The lessons of post-war experience, in Europe particularly, indicate the force of these contentions. In Italy, Hungary, Germany, Spain and Austria, premature efforts at revolutionary seizure of power by the workers

have been attempted and have failed: in these countries the workers failed to appreciate the political importance of the middle class. In Russia, the workers' Government was able to hold out only because it was largely a self-supporting country; at any rate it could provide enough food supplies, at a very low level of living, for a period. Also it had no highly-developed manufacturing system. Other countries, not in this position, could not hope for similar results. For example, Great Britain is dependent upon the outside world for her food supplies and raw material for her manufacturing industries; and she must walk the more warily on that account.

In the other countries mentioned not only did the attempts fail but also they destroyed the democratic movement. In Italy, seizure of factories was found to be unable to produce an economic system which could rely on proper technical guidance, ample home and foreign markets and supplies of raw materials, and a solid backing from public opinion. Hence Signor Mussolini was able to seize and keep power; with no real opposition from a disunited and badly-led workers' movement. In Hungary, Bela Kun's brief Communist dictatorship succumbed; and soon the Horthy régime replaced it. Foreign, especially Rumanian intervention, as well as other, economic, factors, were too strong; and, here again, there was no general public opinion to give support. In Bavaria, the 1918–19 Kurt Eisner Socialist Government was succeeded by a brief Workers', Soldiers' and Peasants' Government, and, after its supersession by a brief Social-Democratic Government, a short Bolshevik régime, which foundered after less than two months and led to the dominance of other, new parties. Other German workers' risings were defeated, in 1920 in the Ruhr and in 1921 in Thuringia and Central Germany. In Germany as a whole the revolutionary attempts in 1918 helped to prevent the triumph of Social Democracy, to disunite the working class and to defeat the prospects of passing larger measures of collective economy. In short, too rapid attempts at socialisation led to the Hitler

counter-revolution and the disappearance of the old political parties.

In Vienna, in 1927, under admittedly extreme provocation, a proletarian outbreak occurred but was suppressed; and capitalist parties became, ultimately, dominant. In Spain, premature action also failed. In Mexico, again, though the situation was entirely different, and more like that in Russia, inasmuch as in 1910 a revolutionary Government easily got power because the masses wanted land, the fruits of the revolution were long delayed. The 1910 Madero Government was followed by the 1913 Huerta Government, and the 1914 Carranza Government which led to a long civil war between revolutionary leaders which delayed agrarian reforms; and it was not till the 1920–4 Obregon régime that the main land laws laid down by the 1917 Constitution and succeeding legislation came largely to be realised. President Obregon, also, who was succeeded by Calles, was assassinated in 1928.

The Ultimate Triumph of Collective Economy Needs International Advance

Every country is dependent to some extent on the outside world, in regard to such things as trade, food, raw materials or credit supplies. Socialism triumphant in one country has found that it could not avoid compromises. Thus, in 1918, the Socialists in Austria had full political power, with the Army behind them, but they could not embark on full Socialist measures because of the fear of external intervention, and the dependence on foreign countries in various respects. "We were entirely in Hoover's hands." [1] "For a year the Socialists could make what experiments they liked, within the strict limits set them by the international situation." [2] In Czechoslovakia, also, in 1918 the Socialists had power and were held back for similar reasons. Certainly Germany, apart from her internal problems, would not

[1] See *The Austrian Revolution*, Otto Bauer, London, 1925

[2] See *The Social Revolution in Austria*, C. A Macartney, Cambridge, 1926.

have been allowed by the Allies to develop a full programme of Socialism, and her dependence on foreign trade induced moderation. Hungary was stopped from going to the left by Rumanian and other Allied pressure. Russia, with all her accomplishments, has had to compromise with the capitalist world in allowing a certain latitude to private concessions, and in trade.[1] Certainly the necessity of contacts with other nations will force Russia to make further compromises. Mexico, also, was restricted in her Socialist activity by the foreign Governments' intervention to protect petroleum interests and cause modification by the Mexican Supreme Court of the Petroleum Law in 1927. Further, foreign Governments intervened to compel a looser measure of Government control over the National Railways, in the interests of foreign bondholders with large financial claims on Mexico.

The blatant truth is that we are living in a world economy, in which the economic interdependence of the nations makes impossible a really full achievement of collective economy in one country alone, or even in one or two countries. The development of collective economy is an international problem, and must be viewed fundamentally from the international point of view. Not merely the rapid growth of collective economy in one country must be kept in mind as being desirable but also the achievement of the most rapid average advance in all countries. With the emergence of a world economic organisation within the League of Nations this truth will be even more evident; for it will be really necessary to seek to capture economic control there in collectivist interests, which will be even more essential than the conquest of national political power, though that will still be very necessary. The growth of capitalist economic organisms overstepping frontiers, the investing power of high finance, and the evolution

[1] In August, 1935, it was stated that the Soviet Government had decided to allow agents engaged in foreign trade greater freedom in making contracts and in handling bills of exchange.

of the Bank for International Settlements itself will make national policies subservient to international ones.

Another factor which should weigh against the use of prematurely "force-ful" methods is the knowledge that the mass of the people during such a period of upheaval and in the succeeding period have to endure a low level of living. It may be that it is worth tightening the belt in the hope that something better may come in the future, and in certain circumstances doubtless it is worth while; but there is far too great a tendency to sacrifice this generation, beyond what normally occurs in the discharge of duty, and particularly the least fortunate portions of the community, to the achievement of a future improvement, which often would come more speedily by the use of saner tactics.

All-Important Technical Considerations

The British miners for too long have borne the burden of foolish attempts to solve the British mining problem by "force-ful" methods. A general strike on occasion may be a necessity, in certain circumstances it may succeed; but it is not a normal or an always efficacious weapon. During the post-war period the British mining industry has suffered from purely economic troubles connected, for example, with the precipitate return to the gold standard and the effects of the Peace Treaties and of the development of the use of oil fuel and water-power, as well as with a defective national productive and distributive system and a lack of international organisation of production and general conditions in industry. These circumstances demanded a *technical* solution to the problem and an *international* solution, without which no national solution even of a theoretically Socialist character could suffice. However much one sympathised—and one naturally did do to the fullest possible extent—with the miners; however great was the provocation; and however splendid was the spectacle of the British working-class in action in a general strike; it was evident to any serious student, in 1926, that strike

action could not solve the problem, and would only, in the political and economic conditions obtaining, intensify the reaction, which resulted in many more years of "conservative" Government, with terrible misery for the working class, and for the miners in particular. There was some absurdly foolish and totally incompetent leadership in certain boisterous sections of the trade union and Socialist movement in Great Britain at that time, which tended to make that outbreak develop and to blind the workers to the consequences. Similarly incompetent leadership subsequently, in certain quarters, has tried to induce the workers to oppose certain other economic tendencies associated with rationalisation, which must offer a balance of real gain to the workers and promote a speedier attainment of collective economy.

The problem of collective economy is above all a technical problem, of production and administration. It means the control of industrial services so that the productive and distributive functions of the economic system function well. In this interest, which is the interest of the people, continuity of production must be preserved in the process of transition. Only in most exceptional circumstances should a policy be countenanced which would slow down or stop the working of the economic system.

I. General Principles of Collective Intervention

Having reached the conclusion that the normal method of collective intervention must be of an evolutionary character, let us study the best methods of achieving collective intervention, and, for this purpose, analyse the experience of the past and the present, and certain proposals for future action.

First let us examine certain general principles which should underlie any step at the present time.

(1) *Beginning where Capitalist Concentration is strongest; with Key Industries, Basic Services and New Industries*

The progress of collective intervention over a wide

field will be easier if collective action is pushed forward at the point where capitalist economic concentration and capitalist power and organisation are strongest.)

In a country where a full-blooded collectivist Government is impossible over a period, if certain isolated services can be shown to operate well under conditions of public ownership or control, that will help the growth of collectivist ideas. Advantage must be taken of any favourable situation to bring under "collective" conditions, in some form or other, any local or national industry or service; but the main attempt must be to get control of the central and pivotal points of a national economic system, such as banking and credit, fuel and transport, food supplies and raw materials, and any new service which may lead, if uncontrolled, to the speedy accumulation of surplus values in private hands or to a menace to the national well-being.

In England, for example, the banks, transport and electricity industries are "ripe" for full collective control, the last two, and, to some extent, the first, being, under legislation now operative, in a large measure under collective control. Agriculture, chemicals, gas, insurance, iron and steel, shipping and shipbuilding, textiles, water and perhaps engineering might also be brought under collective organisation and control.

Control of key industries [1] would facilitate control of the economic system as a whole, and of other individual industries, more rapidly. Moreover, control of banking would tend to prevent the gains of public ownership and control being lost to the people by a faulty credit policy, monetary and financial instability and high and fluctuating prices.

(2) *Special Importance of Collective Control of the Banking and Financial System*

Perhaps the most prominent feature of collective intervention is the control of the banking and financial

[1] Cf Signor Mussolini's reference to the special place of State-controlled key industries in his speech on State intervention in industry, on 23 3.36

system. Industry and trade are largely at its mercy. It is a vital factor in regard to prices. Stable money is an important aspect of twentieth-century planning.[1] Anarchy in making and unmaking purchasing power must be abolished.[2] It is highly important to have an adequate and an intelligent control of the creation and flow of money.[3] An effective method of credit regulation and control must be elaborated on a national scale.[4] Saving and investments must be controlled.[5] In Great Britain, the formation of a National Investment Trust or Board has been suggested[6]; and a development of collective action in regard to the British monetary system has been demanded, in many quarters.[7]

One of the most powerful of the many demands for reform in recent years was made by a group of prominent industrialists in April, 1934,[8] urging "an immediate investigation by Parliament of the fundamental principles which should govern our monetary system with a view to its reform, both in the interests of producers and consumers".[9] Criticism of the orthodox gold standard is not regarded now as merely evidence of a "crank"

[1] See Sir Basil Blackett *Planned Money*, London, 1932, and in *The World's Economic Crisis*

[2] Sir William Beveridge in *The World's Economic Crisis.*

[3] J A Hobson *From Capitalism to Socialism*

[4] Leonard Kuvin *Bulletin of the Taylor Society*

[5] J M Keynes *The Political Quarterly*, April–June, 1932; Sir Basil Blackett in *The World's Economic Crisis* and *Planned Money*

[6] E g. by G D H Cole *The Next Ten Years in British Social and Economic Policy*, London, 1929; *British Industry· Past and Future*, London, 1932, and *The Intelligent Man's Guide through World Chaos*, London, 1932; and in British Labour Party policy

[7] Cf Lord Melchett's motion in the House of Lords, 15th December, 1932, and his book *Modern Money*, London, 1932 See also Melchett-Turner Conference appeal to Chancellor of the Exchequer in 1928, signed by workers and industrialists; the Macmillan Committee's Report, June, 1931, and the proposals of the London Chamber of Commerce, 1932, and subsequently, and important proposals made by Professor Edgard Milhaud along similar lines.

[8] In a letter to *The Times*, 4 4 34. See also the very interesting correspondence which followed

[9] In a powerful leading article on this letter, "Money and Gold", *The Times* emphasised the widespread and growing interest in questions of monetary policy, and the fact that it must not be left to professional economists, Treasury officials and dealers in international exchange.

frame of mind.[1] This once sacrosanct institution is now criticised as freely as any other. It is highly significant that industrialists and business men as well as socialists and trade unionists, demand an overhaul of our traditional monetary system, of the part played by the Bank of England therein; and, in particular, of the Bank Act, 1844, and subsequent banking legislation. Gold is not an essential basis for issuing national money or conducting trade—as, indeed, the recent barter experience has shown us. This system is obsolete, nationally, as well as internationally. It fails to discharge its duty of enabling the plethora of goods which modern science enables us to produce to be distributed to all too needy consumers. It is a root cause of "poverty in plenty".

The modern world demands a rational, scientific system whereby currency and credit shall be regulated with a view to enabling consumers to possess the necessary monetary tokens to obtain the tremendous output of modern production.

These demands on the part of industrialists indicate, what some of us urged in vain on the British Labour world in 1926, that a wise political policy on the part of the Labour and progressive movement would have

[1] Cf these extracts from a powerful article *The Times*, 9 4 34· "The Case against Gold"

It is not realised that a large and rapidly increasing number of citizens will have none of the pre-War world They are unimpressed by the glories of a system which produced the War, which created the slums, which herded human beings into bug-infested houses, and which normally kept nearly a million people without "any visible means of subsistence" No enthusiasm can be roused by policies which do not touch the root causes of these things.

There can be no essential change in our grossly materialistic civilisation without a change in the national and international monetary systems which at present control the economic and social life of the peoples

Not only is the international gold standard system demonstrably unscientific and unsound, but there is not the remotest prospect of its restoration

This state of affairs would be considered even more remarkable if it were found that the goods which he was using such pressure to force upon other nations were badly needed by citizens of his own country The conclusion would certainly be reached that something was radically wrong with the token system if, in the event of his failure to make a present of his nation's goods to other nations, he found it necessary to burn or otherwise destroy them rather than let his own citizens have them Yet all these things are happening at the present time . . .

been, as indeed it still would be, to strive for an alliance with the industrialists and the middle class on the ground that they and the workers have common ground for fighting the finance-capitalist interests, in revolutionising our economic and financial system and making it function first in the interest of industry and the general body of consumers instead of in that of the financial interests.

As shown elsewhere there is public control of the banking system in many countries. Important proposals have been made recently in England for public control of the Bank of England,[1] and less directly, of the joint stock banks; but these do not go far enough. They leave untouched a pronouncement upon the root question of the monetary standard.

As stated previously, one of the most necessary stages in the march to the collective economy is the control of the investment of capital to prevent its wasteful and competitive use with no regard to future social and industrial needs and to the national resources as a whole. Consider, in any country, the enormous waste due to haphazard investment of capital—take British railways as only one example. A National Board ought certainly to undertake this function under the eye of a National Economic Council. The controllers of finance rightly are called the arbiters of production. By public control of banking, credit and investment, industrial, commercial and agricultural services of a collective and quasi-collective nature could be given preferential treatment, as against what happens in the present method of the granting of credit by capitalist banks. Economic progress could then be directed more easily along the most desirable lines.

II. Various Methods of Collective Intervention

(1) *No Uniform Method*

Even if a collectivist party had full power of action it would not intervene in the same way in the case of

[1] Cf *The Next Five Years*, London, 1935, and Mr Lloyd George's proposals, for example, and the official policy of the British Labour Party

every industry or service. Certainly while such intervention has to occur within the present capitalist system there must be variety in the methods adopted.[1]

In any case, whatever their functions and limitations may ultimately be, there will always be, for example, a place, however limited, for municipal and co-operative undertakings. Moreover, as far in advance as one can reasonably see, while the community will wish to regulate the economic system as a whole, it will not wish directly to manage all forms of economic activity, particularly those on a small scale. There will be a different form of intervention for those main and large services which it manages directly and for those which it merely, at any rate in the first place, wishes to control. Further, there will be differences in method according to the degree of centralised control deemed necessary.

(2) *Various Methods Summarised*

There have been very many forms of collective intervention in industry and economic life. Sometimes public bodies own undertakings. Public authorities have taken over private concerns and run them directly, or by specially created organisms. They have started directly-owned concerns, sometimes in direct competition with private enterprises. Sometimes they own only part of a service, with or without control of the rest of its branches. The public service may or may not have a monopoly. Public authorities may intervene as direct employers of labour on public works. The company form has been adopted for certain public undertakings.

Then there is the mixed form of ownership, between one or more public authorities and private enterprise—and even sometimes with co-operative concerns. The public authority or authorities may or may not have a majority control, through their ownership of shares.

[1] This conception inspired Lord Allen of Hurtwood's amendment to Lord Sanderson's motion in the House of Lords, calling for "the extension of collective organisation expressed in many varieties of public ownership and democratic control" Cf *The Times*, leading article, 25 3 35, cf also *The Next Five Years*, London, 1935

Sometimes the State, Provinces and municipalities alone co-operate in a kind of collective "mixed" concern.

Public control is of vast dimensions and is most varied in character. The State may regulate the use of land, purchase it for distribution to landless persons or to ex-soldiers or to promote development. The State may control the use of natural resources. It may reserve mineral rights. The State gives concessions to private concerns, for a given period, and on given terms, with provision for expropriation at stated times. It may confer a monopoly on private concerns organised in accordance with its wishes, and subject to its control, at any rate on certain points. It may compel rationalisation and submission on certain points to its authority, confer on a majority of producers in an industry the power to coerce a recalcitrant minority when adopting rationalisation measures, or appoint a Commission to develop rationalisation by voluntary or compulsory measures. It may compel producers to organise themselves into cartels or ententes. Public Commissioners control housing and slum clearance and zoning schemes. There may be control of raw materials and agricultural products by restriction of production, and control of prices and of markets. Sometimes the special Boards and Commissions controlling agricultural products are composed of producers, voluntarily or compulsorily organised. Sometimes these Boards have selling powers. Grain Boards have been set up; buying commissions, export and import controls. There are State monopolies of production and sale of agricultural products, exercising control of this phase of economic life. State foreign trade monopolies exist. Banks, Stock Exchanges and Commodity Exchanges are controlled; through legislation, the Treasury or Special Commissioners. Transport is regulated by legislation, Special Commissioners or Boards controlling rates and fares and new services and giving licences. In many countries the use of water-power and electricity is regulated by legislation or special Boards or Commissions.

Profits of public utility concerns are limited—and charges. In some cases the State exercises a general control of prices as well as of prices of given commodities.

In certain countries the State approves all new plant or equipment; or new factories or new industries. There are proposals in some countries for national organisms to control investment.

Control of the course of economic evolution on a national scale has also been attempted by the formulation of Codes imposing certain conditions for groups of industries.

A very widespread form of collective intervention is in the form of State aid of various kinds to private undertakings—especially during the crisis. Unfortunately the State seldom gets the share in control in return for such help, to which it is thus entitled.

In many important cases the State renders general aid to private industry, by promoting rural reconstruction, afforestation, land reclamation, irrigation, electricity supply, transport and power at low rates; for which it gets no immediate return. It may exercise a strong influence over the labour market in undertaking or stimulating public works. Sometimes it subsidises municipal undertakings in competition with private enterprise to market services cheaply.

Vast services are rendered by loans and subsidies in respect of public works, both to private and municipal bodies.

The sphere of municipal enterprise is very large and varied. A municipality may run services and concerns jointly, with another or with more than one other municipality, with another or more than one other public authority, with private enterprise, with both public and private concerns, and sometimes, with co-operative concerns.

Co-operative enterprise also is of a substantial size; and there are joint co-operative concerns, joint co-operative and municipal concerns, and, even, other joint concerns embracing public bodies and private concerns.

In some countries planning and control of the economic development of whole regions have been undertaken.

In many countries plans have been developed for central control of national economic life; sometimes with special reference to a war emergency.

Striking developments, the significance of which has not been realised sufficiently, are the development of barter, by the State; its use in internal and international trading transactions; and State encouragement of barter organisations on a nation-wide scale.

(3) *Experience of Different Methods in Numerous Countries*

(*a*) *Public Ownership and Operation*

There are very many examples of, and proposals for public ownership and administration of industrial undertakings and services all over the world. It will assist us in our study if we take a glance at some of them in various countries. This selection does not, of course, pretend to be complete. It is, however, fairly representative.

(i) DIRECT ADMINISTRATION

In most countries the publicly owned postal, telegraph and telephone services are run directly by the State. In Belgium and Switzerland, for example, the Post Office runs a splendid postal cheque system. There are numerous State savings banks. Several States run public railways directly. Many States run printing works; the United States has the largest in the world. There are numerous State monopolies directly administered by the State. There is a vast amount of State public works activity; some States having Public Works Ministers.

BRITISH COMMONWEALTH

Great Britain

The State owns printing works, arsenals and ordnance factories and naval dockyards. The British Post Office is a specially effective business run by a Government

Department. Think of its manifold activities, including telephone, telegraph, savings bank, wireless licences, and various social services.

The British Government, through the Home Secretary, owns State breweries at Carlisle. The Licensing Act, 1921, provided that the State management of liquor trade established by the Central Control Board (Liquor Traffic) under the Defence of the Realm (Liquor Control) Regulations, 1915, in Carlisle and Gretna and Cromarty Firth, should be carried on by the Home Secretary (the former) and the Secretary of State for Scotland (the latter). The Secretaries of State must present an annual report to Parliament. They replace the administration of the former Central Control Board. There are local administrative committees.

Australia

There are 25,000 miles of Federal and, mainly, State railways directly administered by Federal and State Governments. Federal and State Governments run large forests. The States undertake big irrigation works.

The New South Wales Government has participated (partly from a tax on property greatly enhanced in value and involving the acquisition of much private property) in building Sydney Harbour Bridge and City Railway and Suburban Railway electrification. The New South Wales State has run successful brickworks, metal quarries and building construction

The South Australian Government runs an accident insurance business, copper mines, foundries and batteries.

Since 1916, the Queensland Government has had a compulsory accident insurance monopoly. There are also a State life and fire insurance. The State has run directly a fish supply concern, an hotel, fruit-canning factories, meat stations, quarries, butcheries, station buffets, produce agency—though political prejudice has destroyed most of these.

Victoria has an accident insurance concern, a sugar refinery and sawmills.

Canada

The Federal and Provincial Governments own and administer forest and mining resources, ice-breakers and car-ferries. In November, 1935, the Dominion Government decided to bring the chief harbours under a Central Board of Civil Servants, replacing local Harbour Commissions. In February, 1936, it stated that greater Government authority and Parliamentary responsibility would be provided for in managing the Canadian National Railways. The Government built a Merchant Marine during the Great War to meet war needs.

The Manitoba Government owns a broadcasting station at Winnipeg, and licenses private stations.

India

The State owns a huge system of forests, via the Department of Education, Health and Lands. There also is a tremendous State irrigation system, covering 31½ million acres in 1931, and mainly on productive works, benefiting agriculture and industry and giving protection from drought and famine. There are huge reservoirs in the Deccan. Great new projects in recent years have included: Cauvery (Mettur) project in Madras; Lloyd (Sukkur) Barrage and Canals (Sind); Sutlej-Valley Canals (Punjab); and Sarda-Oudh Canals (United Provinces). There are also other big schemes: Bhandardara Dam (Bombay Presidency); and Damodhar River (Canal) project for rice lands in Bengal. The Public Works Department undertakes these colossal responsibilities.

The Indian Government has statutory authority over all private railways, to many of which it has given concessions, providing for repurchase at given periods in return for financial help and guarantees: especially for building new lines. It has expropriated many private companies. It owns and directly administers about 18,500 miles of railways; and has a controlling interest in 29,500 miles of line. Administration and control are exercised through a Railway Board and a Railway Department. The Board of three is under the Govern-

ment, which is represented on it by the Department of Commerce and Industry. In 1924, railway finances were separated from general State finances.

The Government of Mysore has started, owned and operated many industrial concerns. They were so successful that, in September, 1934, the President of the Mysore Chamber of Commerce asked that they should be handed over to private enterprise![1]

The Hyderabad Government's railways, acquired from a private company, are very remunerative.

New Zealand

The bulk of the population receives electricity from a national bulk production and public distribution system. The State has built and operates the main hydro-electric stations and transmission lines, connecting them, supplying current at bulk rates[2] to democratically elected Power Boards for different areas for local distribution.[3] There are five great State hydro-electric generating stations at Waitaki and Lake Coleridge (in North Island) and Mangahao Waikaremoana and Arapuni (South Island). A "Grid" links up the systems of the two islands. The Public Works Department has built these works.

The Government owns all the country's railways, with motor services. Since 1924 they have been administered by a Railway Management Commission responsible to the Minister. A 1925 Act provided for separation of railway funds from other State funds. In February, 1936, the Government announced that the Railways Board would soon be abolished and full control resumed by the Government Railways Department.[4]

The Government also runs life, fire and accident insurance businesses, coal-mines and a public trust office. In February, 1936, the Government stated that the Mortgage Corporation (1935) would be placed, eventu-

[1] *The Times*, 14 9 34, p 17, col 3

[2] The State thus has transformed rural life

[3] See next section on "Special Form of Administration".

[4] The House of Representatives passed a Bill to this effect, on 8 4 36.

ally, on a similar basis to the State Advances Department. In May, 1936, the Finance Minister said that all Government lending agencies, to farmers and home-builders, including the Soldiers' Settlement Loans Department and the Rural Intermediate Credit organisation would be unified under the control of the Finance Ministry.

South Africa

The Government owns and operates the railways and harbour system.

EUROPE

Belgium

The State has reclaimed half a million acres of land in sixty years; and spends millions of francs on public works.

Czechoslovakia

The State owns several thousands of miles of railways, directed by the Ministry of Railways.

France

The State owns the "Western" railway.[1] Its Ministry of Public Works undertakes big national programmes for developing inland waterways and port improvements.[2] Its biggest works have included the Marseilles–Rhône canal, the construction of the great Rove Tunnel (Marseilles), Rhine–Rhône canal improvements,[3] the Moselle-Metz, the Grand Canal d'Alsace, canal, Rhône and Upper Dordogne schemes.

The State and local public authorities are large owners of forests and carry out land reclamation and reafforestation.[4] The Caisse des Dépôts et Consigna-

[1] See my article on "Public Ownership in France", in *Railway Service Journal*, March, 1929

[2] In addition, local authorities spend large sums thereon

[3] On which also the local authorities and counties concerned spend large sums

[4] In the past 100 years around Bordeaux 250,000 acres of sterile land have been made productive.

tions is a State Bank, where savings banks' deposits are concentrated compulsorily and where Post Office, Old Age Pension and National Insurance Funds are placed.

There is a fine State electricity system in the former devastated areas with big stations and inter-connection lines.

Recently the Government decided to set up in Northern France[1] plant for extracting fuel oil and petrol from coal.

In August, 1935, the Government decided to establish "Maisons du Tourisme", to centralise all tourist propaganda in all countries from which many tourist visitors might be expected; which would house the headquarters of French railways, steamship services, etc.

In 1936, the Front Populaire proposed to nationalise the arms industry.

Germany

[*N.B.*—Under the present régime the former States have been superseded by Provincial Authorities. The word "State" has been retained in the text for purposes of comparison. It is difficult to get detailed information about the present position of public intervention in industrial undertakings. The property formerly owned by the States has been transferred to the above-mentioned Provincial Authorities. It appears that public intervention in such spheres as electricity and banking will continue. Municipal industrial enterprise also will continue. The Reich, however, appears to be trying to sell some of the shares in industrial concerns. General Reich control over the economic system remains.]

The Reich has vast industrial interests.[2, 3] Both it and the States used the necessity of helping private concerns

[1] Two plants were begun in Pas-de-Calais

[2] *The Times*, Berlin Correspondent, called the combined undertakings of the Prussian State a powerful vertical trust, to enable the State to mine coal, transport and unload it, by its own collieries and harbours, produce its own electrical power, all financed by the State bank

[3] See my article in *Railway Service Journal*, August, 1929, on "Public Ownership in Germany".

during the inflationary period as a means of acquiring ownership and control of such interests.[1]

Prussia is Germany's biggest ground landlord, owning 800,000 acres of agricultural undertakings, 6 million acres of forests and 22 valuable stud-farms, vineyards, fisheries, etc.

There are numerous State and provincial banks under direct Government control; with holdings in various other financial concerns. There is a State haulage service on many canals. There is a State water supply concern in Wurtemberg; and two others exist in Germany. Many German Provinces run life and fire insurance concerns. The State owns several health resorts.

Hungary

The State owns a coal-mine, a tobacco undertaking, national printing works, quarries and various small agricultural undertakings.

Italy

In January, 1936, the Under-Secretary's Office for Foreign Trade, depending directly on the Head of the Government, was created, as a permanent State organ, with organising and controlling power. It absorbed the powers of the Ministry of Corporations and controls the existing National Fascist Institute for Foreign Trade and National Institute for Foreign Exchange. It superintends foreign currencies, controls imports and exports and regulates supplies bought abroad for the State.

A February, 1936, Decree conferring on the Government full power over all transport, referred specifically to direct Government working and management of any transport facilities deemed desirable.

On 23 March, 1936, Signor Mussolini declared that some of the large industrial units formed out of industries working directly or indirectly for national defence, would be run directly by the State (others indirectly).

[1] When Stinnes crashed the State of Prussia bought the huge Rhenish–Westphalian electricity company supplying 940 centres in the Rhine and Ruhr areas.

Norway

The State Mortgage Bank (84 years old) is State-owned and controlled by Government and Parliament. There are three directors, supported by a Council of five, all elected by the Government. Auditors appointed by the Finance Minister supervise operations daily.

Rumania

There is a State monopoly of the manufacture of drugs.

Spain

The Government owns and administers ports and canals. There are Government monopolies for tobacco, explosives and petrol (after foreign companies had been expropriated). The Government owns and runs a cotton estate at Seville. A special Government Board controls the distribution and sale of narcotic drugs and has the sole right of import. The Ministry of Public Works undertakes water and irrigation work, largely via collective organisations of users under public control: a big national plan is being carried out.[1]

Sweden

The State owns $37\frac{1}{2}$ per cent of the country's outfields and 25 million acres of forests. It owns several mines. It is the largest owner of water-power, and has bought private falls partly to facilitate electrification. The State Waterfalls Board has erected huge State power stations at Trollhatten [2] and Porjus. From 1906 to 1924 over £16 million of capital were put into State waterfalls. Municipalities own waterfall concerns. Stockholm runs a big electricity station.

The State owns and administers nearly 4,000 miles of railways.

The State owns the Riksbank, the Government appointing the Chairman of its Board of Commissioners

[1] See *The Times*, 29 8 34

[2] For helping which it bought a former canal company

and Parliament the other six members, on the recommendation of a special Committee thereof.[1]

There are State ferry services and motor-buses.

Switzerland

Switzerland has a large variety of State-owned services.[2] The State and the communes play a big part in forestry ownership and administration. There has been public fire insurance since 1805; and in 1925 there were twenty Cantonal Insurance Offices, mostly with a monopoly of insurance of buildings and obligatory insurance. A Federation of Swiss Cantonal Fire Insurance Offices was founded in 1902–3, and a Reinsurance Union in 1910. Since 1912, there has been a State monopoly of accident insurance on a compulsory basis, the fund being administered by the assured themselves. About 75 per cent of power stations are owned by the State, cantons, local authorities or public utility corporations. East of the Canton of Fribourg the State and local authorities supply electricity for the whole of the country. There are important cantonal banks (twenty-two) and State Mortgage banks. There is a Government alcohol monopoly,[3] and a salt monopoly.

From 1914 to 1922, the Government operated a wheat monopoly, controlling wheat imports and wheat production, to ensure proper supplies, etc. It also ran a Federal Wheat "Régie" from 1922 to the end of 1925.

Turkey

At the 1931 Conference on Limitation of drug manufacture the Turkish Government delegate said that a

[1] See also my article in *Railway Service Journal*, May, 1929, on "Public Ownership in Sweden"

[2] See my article "Public Ownership in Switzerland", in *Railway Service Journal*, July, 1929

According to a 1929 estimate a minimum of 12,000 million francs was involved in State and other public undertakings, i e between one-fifth and one-fourth of Switzerland's total wealth, half of which was invested in productive undertakings, and the rest was supplied by State banks as credit to economic enterprises generally.

[3] Proposals have been made to extend Government control to professional fruit distillers

draft law for a State monopoly of manufacture had been laid before the Grand National Assembly. In August, 1935, the Government bought the Constantinople Telephone Company, by an arrangement for paying forty annuities.

JAPAN

The economic recovery scheme announced in December, 1935, by the Cabinet Study Committee, envisaged that the State should conduct directly industries important to the national development, e.g. electric power production, coal mining, iron and steel.

SOUTH AMERICA

Paraguay

In April, 1936, the new Government foreshadowed nationalisation of certain basic industries.

UNITED STATES

The Federal Government operates the world's biggest printing plant. It owns and operates through its Reclamation Service 23 large hydro-electric power schemes. The Government is building others which are to be operated by special forms of public concerns. In April, 1936, the Senate Committee investigating the munitions industry, by a majority, urged Government ownership of facilities for production of peace-time arms' requirements.

Several States own grain elevators and windmills. North Dakota owns a bank; and has run a hail-insurance service for farmers.

OTHER COUNTRIES

Iran

There is a Government monopoly of foreign trade, as well as other Government industrial and commercial monopolies. The building of the Trans-Iranian Railway is directly under the Ministry of Commerce. The Government is building an important electric power station at Teheran.

Iraq

Recently the Government has undertaken important irrigation work, e.g. the construction of the barrage across the Tigris at Kut, and a canal higher up the river. Immense services will be rendered to cultivators over a large area. It is also erecting a dam on the river Diala, to irrigate a large cotton and wheat growing area.

Netherlands East Indies

In 1913, the East Indian Government was authorised to erect a factory with a maximum capacity of 12,000 kilos per annum, to supply itself and the native population with (cinchona bark) quinine.

Public Works

Public works are undertaken directly by national and local public authorities, or the former may subsidise public utility concerns. It is difficult to classify them. Undoubtedly they represent a most important and a large form of collective activity. They can be used to relieve unemployment, can exert a vital influence on the labour market, and, by proper use at the right time, can stabilise or render smoother in its working the economic system. They embrace such work as electrification, urban reconstruction, improvement of road, rail and water transport, housing, educational buildings, rural and railway electrification, irrigation, land reclamation, afforestation, water supply, drainage.

In recent years huge sums have been allotted for expenditure on such works by very many Governments. Take, for example, the huge 20–30-year proposal to President Roosevelt for spending £21,000 million; and his various public works' efforts throughout his period of office.

Belgium has adopted important public works' schemes. The Minister of Public Works and Re-employment on 11th February, 1936, said that the special public works' budget for 1935 was 2,067 million francs, and that for 1936, 1,000 million fr. more. In 1936, 1,440 million fr.

of this expenditure would be made by the Economic Reconstruction Office, as the first instalment of a plan of expenditure of 3,500 million fr., 1935–8.

The New Zealand Government is undertaking a three years' public works' plan, for spending £17½ million.

Another remarkable plan, approved by the French Government, in June, 1934, was the "Marquet" plan. The railway companies were authorised to borrow from the Social Insurance Funds for a programme of electrification and other improvements, including abolition of level crossings, and the Government was authorised to open immediate credits for their participation in local relief works; which credits were to be used to pay interest on loans contracted by local authorities, also from the Social Insurance Funds. 75 per cent of the available reserves of these Funds, on which workers and employers have a moral claim, were set aside for these purposes. The plan was to be controlled by a special committee.[1] In 1936, the Front Populaire envisaged a big public works' plan. M. Léon Jouhaux, the trade union leader, said that a plan for Paris (covering £160–200 million) could be begun at once. He urged the financing of such works by creating Employment Bills,[2] secured on future benefits therefrom, and a national reinsurance fund.

There has been a vigorous demand by Mr. Lloyd George and other British political leaders for the use of public works to combat unemployment; but not enough emphasis has been laid upon the use of them in normal times as a means of controlling the economic situation. Special stress on this latter, as well as on the former, aspect of public works has been laid by the International Labour Office, in its special publications, and in the deliberations of the International Labour Conference.

[1] See *The Times*, 26 4 34, and later issues In September, 1935, the Government decided that State schemes should be speeded up in proportion to the falling off of the private demand for labour.

[2] Cf. Edgard Milhaud's proposals in. *A Gold Truce* . . London, 1933; *Fresh Work, Fresh Markets*, London, 1933, and *Ending the Unemployment and Trade Crisis* . London, 1935

It will be remembered that it sent a deputation to the London Economic Conference urging the adoption of a plan of national, and even international public works. This was shelved—largely through the attitude of the British Government. Sections of the British Conservative press [1] have demanded their use—though not on a bold enough scale.[2]

Municipal Undertakings

In the world's chief countries there is a vast amount of municipal ownership of gas, electricity, local transport, water supply, banking.[3] Moreover, it will be remembered that during the Great War, in many Continental countries, municipalities undertook extensive economic activities; selling or distributing the most essential foodstuffs and clothes at cheap prices, and operating peat-works, timber yards, joineries, etc., to relieve the post-war crisis.

Municipalities run, in various parts of the most important States, an extraordinary variety of other services. One may recall the Birmingham and Scottish banks; a co-operative mutual insurance concern run by British municipalities; an agricultural concern, a free burial and

[1] Including at times the *Observer* and *The Times* See also Memorandum of the Special Committee for Public Relations of the Building Industries Council, *The Times*, 22 3 34, and the statement of a deputation from the Association of British Chambers of Commerce to the Chancellor of the Exchequer, *Daily Herald*, 13 3 34

[2] Listen to the *Evening Standard*, 6 3 34

. These conditions give an unmatched opportunity for a bold and comprehensive scheme of public works There could be no better moment to make a start .

. At the same time it is now generally grasped that slum clearance conducted on a sufficient scale is a splendid investment, that it is not only an act of social justice, but a method of increasing the national assets . .

Money applied to public works would bring a return beyond dividend; by reducing unemployment it would increase purchasing power; by increasing purchasing power it would create still further employment, in other words, it would send up production and consumption simultaneously Prudence and patriotism alike ensure the success of an appeal to the public for its co-operation in such a movement

[3] See reports presented to Seville Congress of Local Authorities For Great Britain consult the *Municipal Year Book*, and my article in *Annals of Collective Economy*, January–April, 1928

cremation service in Zurich;[1] a laundry, a sand and gravel quarry and ownership of 500 houses by Chaux-de-Fonds, Switzerland, built directly by it for letting on a non-profit basis; a municipal hostel and theatre and a Municipal Insurance Fund in Berne; a municipal information office controlling the housing market in Berne; a 1924 effort by the Berne municipality, together with the Canton of Berne and the Swiss Federal Government to provide work for the unemployed and a regularised labour market; municipal cinemas in Norway with their National Federation, and an inter-communal office which it created, in which the various municipalities took shares (since 1919); brick-fields, mills, mines (Berlin and Leipzig), wharves, vineyards, breweries, brasseries, wine-cellars, forests, convalescent homes, agricultural undertakings, health resorts, and mineral springs, and press and information bureaux, in various parts of Germany; pharmacies (Hesse); hotels in Sweden; stone-crushing and mixing plants (Winnipeg); bakeries, bill-posting, advertising and publishing (with a National Federation of municipal services) and telephone installations in Italy; milk supply (including a monopoly of sales and the right to issue private licences), Wellington, New Zealand; two theatres (Nuremberg); an hotel (Walsall), and aerodromes and ports (e.g. in Great Britain there are 27 municipal aerodromes; and in 1936 the City of London decided to create an airport at Ilford).[2]

New York City owns the world's best and largest ferry system. Every big U.S. city has a municipal zoo—and many have steam-heating systems for heating business and residential buildings. New Orleans owns a large grain elevator with its port. Cincinnati owns a railway.

A 1935 Bill proposed that Middlesbrough Corporation should be empowered to own its own exchange for broad-

[1] In most parts of Switzerland these latter are collective services In the German State of Hesse funerals are municipalised

[2] The L C C and Middlesex County Council also are considering a plan for a jointly run airport, Heston airport being transferred from private to public ownership

casting wireless programmes; having its own receiving station and distributing a selection from the B.B.C. and other wireless entertainments.

(ii) SPECIAL FORM OF ADMINISTRATION

In many cases the State or other public authority does not operate directly the undertakings which it owns, but adopts a special form of operation and administration. Sometimes several public authorities or other collective bodies run a jointly-owned concern in this form. Here are some examples of, and proposals for, the adoption of such methods.

BRITISH COMMONWEALTH

Great Britain and Northern Ireland

At its 1932 Annual Conference, the Labour Party, in declaring in favour of public control of the financial system,[1] pronounced in favour of public ownership and control of the Bank of England, with the appointment of the Governor by the Government, the Governor being under the general direction of a Minister responsible to Parliament for banking and credit policy.

It reaffirmed the decision of the 1931 Conference for public ownership and control of Joint Stock Banks and declared for the taking of power to nationalise or control other finance, acceptance and banking houses.

The 1932 Conference also declared for the appointment by the Government of a National Investment Board, working under a Minister, in co-operation with the Bank of England, to control long-term credit and investment and to settle the amount to be given and its direction and allocation between various industries and users; so that credit and investment may serve a social purpose. It would control all new public issues on the capital market and refuse "leave to deal" on the Stock

[1] See *Report of the 32nd Annual Conference of the Labour Party, 1932*, and *Currency, Banking and Finance*, official Labour Party Report on certain aspects of currency, banking and finance, Transport House, November, 1932. See also *For Socialism and Peace*, Labour Party's Programme of Action, July, 1934.

Exchange in any issue which, after rejection as a public issue, was placed privately.

In regard to public control of organisations supplying short-term credits, at its 1933 Conference the Labour Party adopted a report providing for the amalgamation of the "Big Five" Joint Stock Banks into one Banking Corporation under public ownership and control;[1] the Government acquiring their shares and thus the right to nominate directors. The Government would nominate a small directorate instead of the five big existing directorates; and create an efficient statistical and research department. The Government would indicate the general lines of banking policy and the Banking Corporation would have to co-operate with the public Bank of England and with the National Investment Board in giving effect to it in conformity with the overriding plan of national economic development. Within this limit the directors would have reasonable freedom in handling applications for credit. Parliament would be able to discuss general policy as decided by the Minister; but neither it nor the Minister would interfere in matters of detail.

Some of the other banks and financial houses other than the "Big Five", which now receive deposits, would be merged in the Banking Corporation. Others, for special reasons, would operate outside the Corporation. Deposit banking carried on outside the Corporation would have to be licensed by the Government and co-operate in carrying out Government financial policy. Control over the discount houses and acceptance houses would occur through the public Bank of England and the Banking Corporation.

A new credit institution, under public ownership and control, should be created to grant intermediate credits to approved industries and to agriculture, in order to avoid the loss of liquidity by the Banking Corporation. It should take over the frozen credits inherited by the Corporation from the Joint Stock Banks.

The B.B.C. (formed, in 1927, to succeed the company

[1] See *Socialism and the Condition of the People,* and *Report of 33rd Annual Conference of the Labour Party, 1933.*

whose licence expired) operates under licence from the Postmaster-General. The Government appoints the Chairman, Vice-Chairman and three other Governors. In evidence submitted to the Committee set up by the P.M.G. to consider the future of broadcasting, the National Council of Labour urged fundamental changes in the charter and licence; e.g. while the P.M.G. should keep his duties and powers under the Wireless Telegraph Act and still exercise technical control, some member of the Cabinet, less burdened with departmental duties, should have responsibility for general policy; the Prime Minister should appoint members of the Board of the B.B.C., which should be more fully representative of national life and interests; all resources from licences, except payment to the Post Office for collecting licence fees, should stay with the Corporation.

The Report of this Committee [1] recommended: that the Charter should be extended for ten years, from 1 January, 1937; that there should be seven Governors, appointed by the Crown on the Prime Minister's recommendation; that the Government's right of control in an emergency should be maintained; that the Corporation should remain free in matters of day-to-day management; that a Cabinet Minister, other than the P.M.G., in the House of Commons, should control broad questions of policy and culture, with a right of veto over programmes, but that the P.M.G. should retain technical control; that ownership and operation of relay exchanges and technical development of wire broadcasting should be taken over by the Post Office, and control of relayed programmes by the B.B.C.; and that net revenue should not be regarded as a prey to the Exchequer but should first be used to maintain and develop the B.B.C.[2]

[1] Published 16th March, 1936, Cmd 5091.

[2] The "Selsdon" Committee's Report (Cmd 4793, 1935) advised that the B B.C should be entrusted with the new television service, aided by an Advisory Committee, representing the Post Office, Department of Industrial and Scientific Research, and the B B C to plan and guide its initiation and development. On 21st January, 1935, the P M G announced Government plans to this effect and the creation of this Committee.

In 1935, the Government announced that coal-mining royalties would be nationalised, with unified control; it was expected, by a national Mineral Board controlling the natural resources.

The Trades Union Congress General Council announced to the Margate Trades Union Congress that, through the National Council of Labour, its economic committee had started to prepare a plan for full unification of the coal industry under public ownership and control. It said that while the Weymouth Conference resolution envisaged a scheme including the whole network of fuel, power and by-products, it seemed advisable to proceed stage by stage, beginning with coal, and embracing the reconstruction of the whole coal industry, including marketing, on the basis of full public ownership. The Council suggested the formation of a public corporation, with regional sub-Boards, each with a large degree of autonomy within the policy and under the supervision of the corporation. One sub-Board would handle the whole country's marketing, handling foreign and home sales, closely directed by the corporation. Mine-workers, through their organisations, nationally, regionally and locally, would share, in regard to the Corporation and Boards, in forming policy, and trained experts would undertake day-to-day management. The State would acquire mining royalties.

The Electricity Commission and the Central Electricity Board[1] are striking illustrations of special forms of State administration and control of industrial concerns.

The Electricity Commission, set up under a 1919 Act, and under the Minister of Transport, is empowered to fix electricity districts, and approve schemes for supplying electricity therein, and to form Joint Electricity Authorities or Advisory Boards. It can approve or veto extensions of plant and transmission lines and new stations and sanction or approve loans for all electricity

[1] On 14th November, 1935, Sir Duncan Watson, member of the Board, declared that, after 8½ years' working, it was saving the country nearly £20 million per annum (*The Times*, 15.11 35).

expenditure. It can fix maximum prices. There are a Chairman, Vice-Chairman and two other Commissioners.

Under the control of the Commissioners, a Joint Electricity Authority provides a cheap and abundant supply in its area. They can build generating stations and main transmission lines, and acquire undertakings.

The Commission's and Boards' compulsory powers are limited; while they can arrange generation and distribution in a district they must secure the undertakings' consent. They cannot compel interconnection of existing systems, force an undertaking generating at excessive cost to get power in bulk from a more effective station or deal with minimum prices.

If the Act had followed the lines of the original Bill the Commission would have supervised a system of regional control, of a system whereby large generating stations could be provided and large-scale interconnection undertaken.

Under the 1926 Act,[1] the Central Electricity Board,[2] in Great Britain, was charged with supplying electricity to authorised undertakers; i.e. mainly to build main transmission lines ("Grid"), concentrate generation at standard frequency in the most efficient stations ("selected stations") and supply electricity in bulk for distribution. It does not say how much electricity shall be produced or consumed, or when and where, but notes production and its costs, and consumption and its trends. Distribution was left to private undertakings. In certain circumstances non-selected stations can be required, by order of the Electricity Commissioners, to close down local generation. Building and operation by the Board, or transfer of existing generating stations to it are contemplated only when no arrangements can be made with authorised undertakers to operate such stations, or extend, or build stations. The Board fixes tariffs. Undertak-

[1] Following the Report of the Weir Committee, 1925.

[2] Although these organisations might well have been classified in the section "Mixed Undertakings", they are probably better placed here Private capital is borrowed, but has no control, and they are actually public concerns.

ings must apply their annual net surplus in a prescribed manner. The Minister of Transport appoints the Chairman of the Board and the seven other members. The Electricity Commission prepares technical schemes for the Board.

This is an interesting case of a fairly large measure of interference with private enterprise by non-collectivist Governments. They refused to allow owners of generating plants to use them as they thought fit. Good ones, made into selected stations, had to give bulk supply to other supply undertakings at cost, including fixed interest rates. Less effective ones could be allowed to continue, but could be put out of action except for the peak load period, when they would operate and supply their own consumers and/or the Grid, so that selected stations would not keep up additional expensive plant for this peak load supply. Bad ones could be closed down, with compensation.

A 1934 Government amending Bill sought to give the Board the power: to make agreements with certain uneconomic producing stations providing, *inter alia*, for the gradual elimination of their plant, to the advantage of selected stations and the benefit of the consumers; to enable all undertakers, great and small, to use the Grid, preventing large industrial undertakings from installing their own generating plants; and to provide direct supplies for railway electrification schemes. It appeared that the Board was to compete with companies supplying them with the current they were using.

As an example of a Joint Electricity Authority, one may cite the London and Home Counties Joint Electricity Authority; established in 1925, by the Electricity Commissioners, under a 1919 Act, with Parliament's approval, to provide a cheap and abundant supply of electricity in its area, and erect and acquire generating stations and distribution systems therefor. It comprises 36 members, appointed or elected by bodies including local authority undertakers, county councils, company undertakers, and the Railway Companies' Association.

Under 1925 Acts, London companies got their undertakings extended to 1971, when the Authority will take them over. Meantime, prices and dividends are regulated.

The Forestry Commissioners undertake development of forests and acquire forests. The Government appoints the paid Chairman and unpaid eight other members.

In 1934, the British Trades Union Congress adopted[1] a plan, prepared by the Iron and Steel Trades Confederation, for collective intervention in the iron and steel industry. The scheme treated the industry, at this stage, on its own, and not as part of a wider plan for collective intervention. While granting the overriding authority of the State it allowed the industry a maximum of self-government.

It would establish a British Iron and Steel Corporation, to take over undertakings manufacturing iron and steel products, from pig-iron up to the finished products of the industry. It would comprise ten persons and be appointed by the President of the Board of Trade, after consultation with the trade unions and technical organisations of the industry with the right of nomination thereto. There should be 10 or 12 Sectional Boards, to run the main branches with a measure of autonomy, the members of which would be appointed by the Minister. The Board would submit an annual report and financial statement to the Minister and special reports as desired by him; and Parliament could discuss policy, etc., on the annual report.[2]

There would be works' councils. Prices would be fixed by the Corporation, in conjunction with a body representing consumers' interests.

That certain key industries, such as transport, electricity, some branches of insurance, much of the distributive system, mining royalties and the whole of the

[1] The *Trades Union Congress 66th Annual Report*, Weymouth, 1934, pp 202–5

[2] Relations between any National Economic Council and the Board should be laid down

manufacture of armaments, should be fully socialised at once is demanded by a group of 150 leading British citizens of all parties in *The Next Five Years*. This group discusses special forms of administration of such socialised undertakings.[1]

The Lee Conservancy Board comprises 15 members, 14 elected by local authorities and 1 by barge owners on the river.

The London Passenger Transport Board [2] comprises a Chairman, Vice-Chairman, and five other members, appointed by a body called "Appointing Trustees", consisting of: Chairman of the L.C.C., a representative of London and Home Counties Traffic Advisory Committee, Chairman of the Committee of London Clearing Bankers, President of the Law Society, President of the Institute of Chartered Accountants in England and Wales, and, in the case of vacancies, the Chairman of the Board or some other member thereof nominated for the purpose. This Committee may consult other persons as thought fit. The Chairman and members of the Board must have had wide experience and have shown capacity in transport, industrial, commercial or financial matters or in control of public affairs, and two of them must have had at least six years' experience in local government within the London Passenger Transport area. No M.P. can be appointed. Appointments are for 3–7 years. The Minister of Transport, after consulting the "Appointing Trustees", can remove a member for inability or misbehaviour. One of the first members appointed was formerly an official of the Transport and General

[1] It also advocates as the method of developing collective intervention, alongside this measure of direct State ownership, the setting up of Public Corporations (strictly under State control) for, *inter alia*, most of the depressed industries, and the extension of the Public Utility system (with profit limitation) to a number of industries of great public importance, but not considered ripe for full socialisation It advocates control of the Bank of England and the Joint Stock Banks

[2] In a certain sense this organisation is a "mixed" undertaking, inasmuch as, until it is redeemed, private capital still has a claim on it. This claim, however, is limited, and ownership is technically in public hands. It seems best to include it here

Workers' Union. The Minister of Transport, with Treasury consent, and after consulting the "Appointing Trustees", fixes salaries.

The Board operates trams, underground trains, trains, motor-buses and coaches and passenger transport on the Thames.

It secures co-ordination of services and makes financial arrangements for "pooling" with the suburban railway services in its area.[1]

The Port of London Authority, established under a 1908 Act (and 1920 amending Act), comprises 29 members: 10 appointed, by the Admiralty 1, by the Minister of Transport 2, by the Corporation of London 2, by the L.C.C. 4, by Trinity House 1; 18 elected, 17 by payers of dues, wharfingers and owners of river craft, and 1 by wharfingers; and an Acting-Chairman appointed by the Authority.

The Metropolitan Water Board, created by a 1902 Act, comprises 66 members appointed by the constituent authorities of the water area, e.g. local authorities, Lee and Thames Conservancies.

State holding of at least six months' supply of wheat in silos or elevators, through a National Wheat Commission, was urged by Sir H. Matthews, on 29th April, 1936, in an address to the Royal Society of Arts.

These interesting proposals also have been put forward by the Labour Party. At its 1932 Conference,[2] it decided in favour of the passing of a general Enabling Act empowering the State to take over any or all land,

[1] The London Traffic Advisory Committee, which advises the Transport Minister on important London transport matters, has 40 members and contains representatives of the London Passenger Transport Board, the railway companies, the Minister of Labour (after consulting bodies representative of interests of labour in the London Transport industry), L C C., Corporation of the City of London and Westminster City Council, Metropolitan Borough Councils, County Boroughs and other County Councils, Secretary of State and Corporation of the City of London to represent the police, Minister of Transport to represent motor-vehicle, horse-drawn vehicle, and taxi-cab interests, and Secretary of State and Minister. Note also that the Railway Rates Tribunal has important functions in regard to fixing rates and fares.

[2] See *The Land and the National Planning of Agriculture*; and *Report of the 32nd Annual Conference*, 1932.

rural or urban, at any time thereafter. It adopted a land programme, including proposals for creating a National Agricultural Commission, under the Minister of Agriculture, to plan agricultural development, and administer nationally-owned land; working through County Agricultural Committees appointed by the Minister of Agriculture, in administering nationally-owned land, and through National Commodity Boards (under which Local Commodity Boards should be formed), in controlling marketing and production. Producers, workers and consumers should be represented on these Committees, Boards and Commissions.

At its 1933 Conference, the Labour Party declared for a planned control of international trade, through a system of Import and Export Boards.

The Labour Party also proposes [1] to create a National Electricity Board to which should be transferred all authorised undertakings for generation and distribution, the national grid, railway and traction generation and certain non-statutory generation. It would take over private generating plant as desired. The composition and general organisational arrangements of the Board would be on the lines of those for transport. It would be appointed by the Minister of Transport and be under Ministerial direction; and would replace the Electricity Commission and Central Electricity Board. There might be a number of Regional Boards. The Minister of Transport would appoint a National Consultative Committee, comprising representatives of various interests such as industrial and domestic consumers, labour in the industry, local authorities.

The Labour Party [2] proposes to set up a National Transport Board, appointed by the Minister of Transport, and under general Ministerial control, to plan, co-ordinate and manage the transport system. It should first take over the railways and certain other major

[1] See *The Reorganisation of the Electricity Supply*, and *For Socialism and Peace*

[2] See *The National Planning of Transport*, and *For Socialism and Peace*, programme of action, July, 1934

services—and the rest as convenient, subject to regulation and licence in the meantime. It should have a large amount of initiative, though subject to discussion and criticism in the House of Commons. Labour, users of transport and local government authorities should form a Consultative Committee to advise the Board on the effect of its policies on various interests. There should be a quasi-judicial tribunal to settle appeals on prices, charges and transport facilities. The Board should be appointed by the Minister of Transport.

The joint proposal of the Labour Party and the Miners' Federation to the 1925 Samuel Commission suggested that the coal, power, electricity and transport industries should be run by a Power and Transport Commission (replacing the Electricity Commission), comprising six experts in coal, electricity, gas, transport and commercial matters, with an extra Chairman working under the President of the Board of Trade. It would, however, be aided by a National Coal and Power Production Council, presided over by the Mines Minister and comprising a representative of the above Commission and officials and miners, together with an Advisory Consumers' Council. There would be other separate bodies, working under its control for managing the railways and electricity industries.

Since then, however, the Labour Party has altered its policy, and, in its latest policy,[1] it rejects the placing of the control and management of this big series of industries in the hands of one body.

In 1935, the Northern Ireland Transport Board, modelled on London Passenger Transport lines, was formed and has acquired[2] and co-ordinated all public-hire motor road undertakings, except the tram and omnibus undertaking of Belfast Corporation and a few minor services. It is the most complete scheme devised in any country. The Board forms, with railway com-

[1] *Reorganisation of the Electricity Supply Industry*, 1932

[2] It was authorised to acquire, by agreement or arbitration, over 2,000 separate passenger or goods' undertakings.

panies, a joint Committee, controlled by the Minister of Home Affairs, to pool road transport and railway receipts, and co-ordinate services. An appeal tribunal ensures reasonable fares and charges, etc. No road motor service can operate without a licence from the Road Transport Board.

Australia

The Federal Government owns the Commonwealth Bank, which is governed by a Council, including a Governor (appointed by the State), the Finance Minister and representatives of industry, commerce and finance.

The Government owned ships, administered by a body appointed by public authorities, which rendered enormous services to primary producers and consumers, before it was scrapped for political reasons.

The Murray River Commission has representatives of the Federal Government and the States of New South Wales, Victoria and South Australia. It was formed to carry out important irrigation and other water undertakings and received Federal financial aid.

A 1932 Act placed the New South Wales coal mines, and certain State loans, under the control of a specially created Board.

In Victoria, a State Commission owns and exploits brown coal resources for producing electricity at Yallourn.

Canada

Having acquired the Canadian Northern and Grand Trunk Railways in 1918 and 1920, the Canadian Government now owns over 22,000 miles of railways,[1] through a 1919 Act creating a special National Railway Company. Labour has had a representative on the Board of Management. The Government has built new railways to develop grain and mineral areas. A 1933 Act provided for the appointment of three Trustees, with a full-time Chairman, in whom the direction and control of the

[1] It operated, owned, leased or controlled lines on the United States side of its border, of about 1,700 miles

Canadian National Railways were vested, replacing the former Board of Directors of seventeen members.[1] Plans for co-operation with the Canadian Pacific Railway have been studied.

The Board of Railway Commissioners, appointed under an Act of Parliament, has important functions in regard to the location, building and operation of railways, mainly relating to rates. Its authority has been extended to cover other means of transport and communication.

Several provinces have special bodies for supervising and controlling local public utilities, acting under their jurisdiction, and for regulating rates, e.g. the Railway and Municipal Board of Ontario, a Quebec Commission of Public Utilities, a Nova Scotia Board of Commissioners of Public Utilities, and a Manitoba Public Utilities Commission.

The Canadian National Railways own the most important broadcasting stations—a chain of ten across the Continent.

The Government has owned steamships and provided direct steamship services to the West Indies through the medium of Canadian National (West Indies) Steamships, Ltd.

There are many public hydro-electric projects, due to special Federal and Provincial laws embodying the principle of public ownership and control. The exploitation of Niagara Falls is carried out by the Ontario Hydro-Electric Power Commission (providing over two-thirds of the Province's power), an independent body of three members, appointed by the Provincial Government. Cities and communities share in the costs, co-operatively, on the basis of service and advantages gained, and finance is by Government loans.

There are many hydro-electric stations owned by special Government Commissions and other public bodies, as well as municipalities. Manitoba's Power

[1] In 1936, the Government promised to bring them under more direct control In March, 1936, a Government Bill proposed to appoint seven directors in place of the Board of Trustees

Commission owns an extensive transmission system, including many rural lines. Nova Scotia's Commission owns power development and transmission undertakings; likewise New Brunswick and Quebec, whose Provincial Streams Commission has built storage dams, etc.

A Wheat Board, created in 1935, handles surplus wheat and markets wheat in the inter-provincial export trade. It has powers regarding oats, barley, rye and flax produced in the western Provinces. It takes producers' grain, giving cash advances and participation certificates, ensuring to producers a *pro rata* share in the distribution of sales' proceeds, minus expenses. It operates under the Minister of Trade and Commerce, and its first chairman was formerly head of the wheat pools' selling agency.

The Province of Saskatchewan owns and operates grain elevators.

New Zealand

Special Power Boards and Commissions (of five to twelve members each) in various areas undertake local distribution of electric current received from State generating stations and transmission lines. They were created under 1918 and 1925 Acts. Several local districts combine to set up a Board. A 1930 Act created an Association of Electric Power Boards and municipal electric-lighting authorities. A Bill, passed on 8th April, 1936, provides for State ownership (through purchase of private capital) of the Reserve Bank, private shareholder directors of the Board being henceforward State nominees. The Secretary of the Treasury is a member of the Board, which was re-appointed for seven years. An annual report is to be given to the Minister of Finance. The Governor-in-Council will renew appointments to the Board. The Board will regulate and control the financial, credit and currency system, so as to promote economic and social welfare.[1] The Mortgage Corporation will receive similar treatment.

[1] See also pp 243–4

South Africa

Sir John Reith's report to the South African Premier [1] recommended that [2] a public Corporation be formed to take over and carry on the work of the Africa Broadcasting Company. The Government would not control the new system. There would be public control of major policy, but no political public interference with management. The Corporation should be created by statute, and be given a licence by the Postmaster General. The Governor-in-Council, not any one Minister, would supervise policy, and the Postmaster General would control technical policy. The first Board (of six or seven members) should be appointed by the Governor-in-Council.

The Government formed the South African Steel and Iron Industrial Corporation, Ltd. (authorised capital £5½ million), which it owns, and operates under commercial conditions. The Government felt that this basic industry needed adequate national organisation. It has subsidiary interests.

Hong Kong

In December, 1935, the Government nationalised silver, and set up a Fund to control exchange.

EUROPE

Austria

The Austrian Federal-owned Railways,[3] since 1923, have been run in independent company form. The Company also administers State interests in other railways and in a steamboat service on Lake Constance and other auxiliary concerns.

It has a management, or Board of Directors, nominated

[1] *The Times*, 22.3 35.

[2] It suggested that the State must finance broadcasting as private enterprise, which was concerned mainly with earning profits for shareholders, would not give an adequate programme policy!

[3] On this, and on recent developments in operating State railways in other countries, see *La Gestion publique des Chemins de fer*, by Edgard Milhaud

by the Administrative Commission; but the Government can demand their removal. No Members of Parliament or members of other public bodies can become directors. The Administrative Commission of Fourteen is appointed by the Government, for three years, and includes eleven transport and other technical experts, and three railway staff representatives. The Government chooses its president.

As a result of a 1922 law, tobacco, salt, lotteries and explosives, State monopolies and the following State economic undertakings, postal services, forests, mines, printing works, a theatre and a pharmacy (with the railways), were made into State concerns with an independent form of administration.

Interesting forms of collective undertakings appeared just after the Great War, some being formed out of war materials and plant owned by the State. "Schuh-Gewa" was formed by the State, the C.W.S. and a rural consumers' concern,[1] for manufacturing boots and shoes. It acquired interests in large boot and shoe concerns. "Oewa" was formed to undertake certain mechanical construction work, etc., by transforming the former Vienna Arsenal. "Gesiba" was formed by the State, the municipality of Vienna and a colonisation group, for the purpose of colonisation and supplying building materials. The State formed an Office for supplying chemicals and medical requisites, out of buildings, etc., used for military purposes during the war. It was intended to supply hospitals and then to regulate market prices and help sickness funds or their members.

Belgium [2]

Having acquired private railways, the State owns all the main railways, which, since 1926, have been run in company form. The Crown appoints the directors, which include labour representatives, and Parliament

[1] This left in 1925· giving thus a two-thirds' share to the C W S

[2] See my article on "Public Ownership in Belgium", in *Railway Service Journal*, February, 1929; and my pamphlet *Railways of the World*.

appoints a supervisory Board of six commissioners, the State owning all ordinary shares and having full control. Preference shareholders get a fixed return and a share in profits, but have no material security.

These forms are interesting. The State co-operates with Provinces and Communes in running special companies, on a co-operative basis, for supplying inter-local transport,[1] distribution of drinking water, insurance against fire, lightning and explosions and other risks, communal credit,[2] and cheap houses and dwellings. Public authorities (the State, Provinces, municipalities, hospitals, etc.) insure themselves against fire, accidents, civil liability, and for workmen's compensation, and also organise a pensions' scheme on a co-operative basis in the "Société Mutuelle des Administrations Publiques".[3] The concern has no shareholders. Members pay premiums—and promise to pay an extra premium as may be necessary, after use of reserve and guarantee funds, though this extra payment is unlikely.

The Province of Hainault has an Intercommunal Co-operative Society for running an electricity system. The State co-operated with the Municipality of Ostend in building a large new fishing port, stations, etc. The State and Antwerp municipality co-operated in building the huge Kruisschans lock and canal dock.[4]

Bulgaria

A 1930 Act created an office for purchase and export of grain, to advise the Council of Ministers. It bought through agents paid on commission, e.g. General Federation of Agricultural Co-operative Societies, the Milling

[1] The State has 51 per cent and other public authorities 49 per cent of the capital See also *L'Ordre coopératif*, by Prof B Lavergne This concern leases some of its light railways to private or public companies

[2] Shares are owned entirely by local authorities

[3] Though only public authorities can be members, private industries and individuals can participate in the insurance—at fixed premiums

[4] Incidentally the State supports a fine service of canals and waterways. In 1927, it arranged to spend 2 milliard francs in 12–15 years on these, on work on the Liége-Antwerp and Brussels-Charleroi canals, the Sambre and the Meuse, Zeebrugge and the Scheldt.

Department of the "Napred" central co-operative society, and the Central Supply Organisation of the People's Banks. The Agricultural Bank and the Central Co-operative Bank (in which the State is associated with co-operative societies) advanced the funds. A representative of the Bank and representatives of the Ministries of Finance, Commerce, Industry, Labour and Agriculture, the Agricultural Bank, Chambers of Commerce and Commercial Exchanges sat on the Council.

Denmark

In 1921, a Special Commission reported in favour of putting State Railways in limited liability company form, with the State as sole shareholder.

France

The Alsace Potash Mines [1] and the State undertaking for producing Azote, connected with the State Synthetic Ammonia Factory, at Toulouse, are all publicly owned, and organised and administered on interesting and special lines. The forms of organisation envisaged for some public, inland waterway development schemes like those for the Rhône and the Upper Dordogne are on specially interesting lines.

In September, 1935, the Socialist Party proposed Bills for the creation of wheat, wine and cattle monopolies to revalorise farm produce, and national offices to control foreign trade in these commodities.

Germany

[*N.B.*—See note on p. 195.]

The company form has been extensively used for the administration of Reich-owned and controlled interests. The Reich owns a number of companies completely and has majority or partial holdings in others.[2] In 1932, the Federal Credit Company's permanent holdings in other banks were shown to have increased. It held shares in:

[1] The Saar Mines, too, while under French control.

[2] See section on "Mixed Undertakings".

German Building and Land Bank Company, German Insurance Company, German Orient Bank Company, German Transport Credit Bank Company, Heilbronn Commercial and Industrial Bank Company, Hall Banking Union of Kulisch, Kaempf & Co., K.G.A., Acceptance and Guarantee Bank Co., Berlin Lombard Bank Company, Discount Company and International Land Credit Bank, Basle. "Viag" owns 70 per cent and the Prussian State owns 30 per cent of the share capital of the Trustee Company for Municipal Undertakings.

The Reich owns a company for supplying medicaments to German Sickness Funds. The Finance Minister owns all the shares in a huge Federal combine "Viag",[1] which, in turn, owns a big calcium nitrate concern in Central Germany, electricity works in Bavaria, an aluminium undertaking,[2] the big electricity concern, Electrowerke, Deutsche Werke,[3] a concern producing various industrial commodities, a big Combine Bank, and various industrial undertakings. These in turn own (or have controlling or partial holdings in) other industrial undertakings.

Several big banking concerns are directly subject to the Federal Government.

Through the Electricity Works Company the Reich acquired 50 per cent and the Provincial Union of Nether Silesia 50 per cent of shares of the Nether Silesia Electricity Company. The German Electricity Company, formed, in 1929, by the chief big public electricity undertakings to plan reorganisation of the power industry, induced the Prussian Electricity Company and Saxon Works Company to contract to place their undertakings in Thuringia under a joint administration.

The German Federal-owned railways, after different forms of autonomous and direct administration since 1919, by special legislation, in 1924, were given the form

[1] To secure the necessary raw materials, "Viag" owns or participates in bauxite mines in Istria, Hungary and Rumania

[2] 84 per cent of aluminium output comes from Government works

[3] The Government created this in 1919 to take over the old armament establishments and naval dockyards for peace purposes!

of a special company of which all ordinary shares are State-owned.[1] Only exploitation was ceded to the company; and, after a stated time, the concern was to revert completely to the Reich. The company was not a joint stock commercial company. It was controlled by a Governing Body, and a Board of Management. The German Government reserved the right of control through the Transport Minister. In the Governing Body, and in certain financial matters, special representation was given to foreign reparations' interests.[2]

Of the 15,000 million marks of original capital of the Federal Railways, the Reich owns 13,000 million marks of founders' shares. Of the 2,000 million marks of preference shares it held, in 1932, a nominal amount of 431 million marks.

In 1924, the German Postal and Telegraph Administration was turned into an autonomous concern, under the Minister for Postal Services, aided by a Governing Body of 31, appointed by the German President, some nominated by the Reichstag, Reichsrat, the Finance Minister, others having to be experienced in public affairs and transport questions. Postal accounts were separated from other Reich accounts.

A Reich monopoly of oils and fats[3] was created in April, 1933, with powers to regulate production and prices. At the end of 1933, butter came under its control.

There are many State and Reich electricity undertakings in company form. Generally the State concerns itself with production and transport, and distribution is undertaken by regional organisations, in which provinces and municipalities take part. In Prussia, large companies, especially mixed concerns, undertake both production and distribution.

Prussia owns all shares in the State Mining and Smelting Company, which has acquired over thirty under-

[1] There were a few private preference shares Reparations' bonds were created as a charge on the company

[2] See *Railways of the World* and *Annals of Collective Economy.*

[3] I.e the supply of all raw materials used in manufacturing margarine.

takings; e.g. coal, lignite, potassium and salt-mines, salt-pits, ore mines and smelting-houses, amber works, limestone quarries, a boring administration. It also acquired a controlling interest in others. It owns all shares in the State Mining Company, Recklinghausen, which owns many State mines, and has large or controlling interests in various important enterprises. It owns practically all the shares in the State Mining Company, Hibernia, which has six collieries, coke installations, briquette works, brickyards and power stations, and majority interests or holdings in numerous industrial concerns.

The Prussian State Electricity Company, all the shares of which are State-owned, owns and operates all State electricity interests and has controlling interests or holdings in various cognate concerns. Through Preussische Bergwerks-und-Hütten A.G. (Mining and Blast Furnace Company) the Prussian State acquired oil-fields in northern Germany.

In Bavaria, the State is the main extractor of minerals from the earth. It owns all shares in the State Mining, Smelting and Salt Works Company, which owns eleven important concerns, including a coal-mine, pig-iron and cement works, mineral colours works, sewing-machines factory, enamelling and pumps, rolled seats and salt works, engineering works and foundry, and drainage pipes and glass factory.

The State of Saxony owns all shares in the Saxon Works Company, which operates coal and electricity concerns, and the State's extensive land property, and has holdings in cognate companies. It owns all shares in the Elektra Company, which has large holdings in various industrial enterprises. A company for supplying Saxony with gas was formed by the State concern, Elektra A.G., and the Energie A.G. owned by municipalities.

The State of Baden owns all capital in the Baden National Electricity Company,[1] and owns or has con-

[1] It supplies part of Wurtemburg The State also participates in a concern in Switzerland

trolling interests in a sugar company, a brewery, salt, potash and other power works, a majolica factory, the Rhine Navigation Company and colliery and railway companies.

In Wurtemburg, Brunswick, Thuringia and Anhalt the State has important industrial services in various forms. Various States have credit banks for credit to co-operative societies. Wurtemburg, Baden and Mecklenburg have State navigation concerns.

Public (State and provincial) fire insurance institutions, which have a monopoly[1] throughout South German States, and in Saxony, Thuringia and Hamburg, and compete with private enterprise[2] in Prussia, give substantial representation to the insured on Boards of Management.[3]

Several German health resorts are in the form of companies owned entirely by the State.

Bonn, Cologne and surrounding rural districts own the Cologne-Bonn Railway Company. A number of local authorities in the Cologne area bought the Cologne Motor Coach Company and the Rhenish Traffic Company and two gas companies. Cologne owns all shares in the Cologne Street Omnibus Company, Ltd.

The Cologne Municipal trams have their own Governing Board, and are controlled by a Municipal Council Committee.

The Municipality of Nuremberg owns all shares in Nuremberg Utility Dwellings Construction Company, which aims at producing blocks of dwellings to remedy the housing shortage and to keep down building costs. The Municipal Council appoints all the fourteen members of the Board. Dwellings are let through the Municipal Dwellings Department. Building schemes are aided financially by the City, the State and the Reich. Contracts are drawn up with the aid of local trade unions, private architects and co-operative societies. The Public

[1] Except in "movables".
[2] In all cases private insurance is severely circumscribed.
[3] Most provincial schemes have public life insurance schemes.

Utility Sewing Centre Company, Ltd., Nuremberg, has helped many women and girls in difficult circumstances, who were unable to compete in the labour market. It was formed by the municipality, various Welfare Societies and the Nuremberg Executive of the German Trade Union Confederation.

There are several inter-municipal companies.

A German Public Works Company was formed, in 1930, to raise funds to combat unemployment by public works. Loans made by it implied equal credits granted by the States, contributions were to be made by Employment Exchanges and the Unemployment Insurance Institute, and local authorities, federations thereof or provincial bodies, shared in the cost of such works.

In December, 1935, a large Jewish business manufacturing small arms, saddles, perambulators and machine parts, which had been taken over by a National-Socialist trustee, was transferred to community ownership, and administered as a National-Socialist establishment.

Hungary

The State owns and administers as autonomous concerns, with separate budgets, railways,[1] an iron and steel factory, coal-mines and a few small precious metal mines, agricultural undertakings, forests, postal services.

The Hungarian State Railways own an Automobile Transport Company, which has a virtual monopoly of public utility automobile transport. They also own a tourist agency, which sells tickets, newspapers, refreshments and sweets and receives advertisements; and a stone quarry, an oxygen manufacturing factory, a liquid gas works, and a wagon repair works. These companies compete with private enterprise.

The State owns all the shares in a national popular feeding company, which supplies hospitals. It also participates in the Consumers' Co-operative undertakings, "Hangya", which supplies rural populations with provisions (with 200 agencies), and "Futura", which

[1] Some private railways are administered by the State Railways.

engages in wheat transactions. Both these co-operative undertakings own various sub-undertakings.

The Government uses "Futura" (the trading company of the Co-operative Unions) for buying wheat and regulating wheat exports and for organising food supplies for certain towns, e.g. Budapesth (1920–1).

"Futura" was founded, in 1919, by "Hangya" and the Co-operative Loan Societies Central Fund (a large part of which the State subscribed). It markets, at home and abroad, the produce of members of agricultural co-operative societies grouped in the two founder bodies.

Italy

The Italian National Insurance Institute, National Accident Insurance and National Social Insurance Funds own all shares in the "Assurances d'Italie".

The State Railways, State Monopolies and State Forest undertakings are said to be autonomous but are really branches of the State Administration organised in special forms. Nevertheless, they should be included in this group of State undertakings.[1]

Under a 1907 law, the State Railways were controlled by a Council of Administration and administered through a director-general who was president of the Council. Moreover, there was a measure of representation of consumers on the General Traffic Council and local traffic commissions, which were consultative bodies. By a 1924 law, the Council was made an advisory body to the Minister of Communications—its President—who directly supervises the administration as carried out by the director-general, and has general veto powers over the administration.

The Minister of Communications is aided by an advisory Council of Administration and a director-general, all appointed by the State. The Council comprises the director-general, two representatives of the staff and four State officials, the independent technicians. Its opinion

[1] See, *inter alia*, *Forms of Organisation of Italian Public Undertakings*, by G. L Field, *Annals of Collective Economy*, January–February, 1934

must be given on certain administrative, budgetary, business and staff matters.

The railways have autonomous subsidiary concerns. Thus there is a special concern for work connected with the exploitation of oil lands in Albania. It has a works' office in Albania.[1] Also another autonomous branch exploits wood in Albania, producing timber for the railways; also with a works' office in Albania. The railways also operate the navigation of the Straits of Messina, and some motor-bus services.

Railway finances are separated from general State finances, although under some Treasury control. The budget, though not subject to the approval of the Minister for Finance, must be approved by Parliament.

Though the State Railways, therefore, are not absolutely autonomous, they have a form of separate organisation and operate on commercial lines.

There is an Autonomous State Monopolies Administration, dating from 1927 to 1928 Acts, which operates the State monopolies of production, importation and sale of salt and tobacco and State production and sale of quinine. It is controlled by the Minister for Finance aided by a Council of Administration (over which he presides) and a director-general. The Council, appointed by the State, is similar in composition to that of the State Railways; but it has rather more power. Its budget is separate from the State budget and it is approved by Parliament. Revenues are paid into the State Treasury. Fiscal revenues, some of which it handles, go into the State budget. Industrial and commercial revenues go into its account. Industrial profits go to the State at the end of each financial period. The Director-General is an official in the Ministry of Finance. The Minister has wide powers of veto and shares control with the Council.

The autonomous Domain Forests Concern undertakes the commercial management of the State forests. It

[1] Towards the end of 1935, a factory for refining raw oils was established, managed by this concern, which also has an organ in Rumania.

dates from 1927. It is under the general supervision of the Ministers for Agriculture and Forests, and Finance.

The Minister for Agriculture and Forests presides over the Council of Administration, which is composed somewhat on the same lines as the Railways Council. It delegates certain functions to an executive committee, appointed by the State. There is also a director. The Minister shares control with the Council.

To provide for the diffusion of popular culture and general education through motion and sound pictures and photographic materials put on the market or distributed for propaganda reasons at home and abroad, and also to produce, edit and distribute its own films, photographs, etc., a special concern was formed by the State, the National Institute Luce. It is an autonomous body, controlled by the State, formed by the participation of several semi-public organisations. It dates from 1925 and 1929 Acts. Its capital came from: the General Commissariat of Emigration and another body subsidiary to the Ministry of Foreign Affairs; the National Fund for Social Insurance; the National Fund for Insurance against Labour Accidents; the National Institute of Insurance; and the National Veterans' Foundation. It is directly under the Head of the Government, who appoints the Council of Administration, which comprises a representative of the shareholding bodies, and representatives of various Ministries, the Fascist Party and the Head of the Government. There is also a president and a director-general.

It has its own budget which is approved by the Head of the Government.

The Council has a large measure of supervision.

The Italian Liquid Credit Institute was founded, in November, 1931, by the Government, to increase the fairly long-term credits available for the country's industries. The Government decided that 50 per cent of the capital of 500 million lire should be subscribed by the semi-public Deposits and Loans Fund which handles the postal savings deposits. The Government gave it

an initial credit. The Institute was intended mainly to grant loans up to ten years, and to acquire ownership of stock in industrial undertakings. A subsidiary purpose was to take over all commercial and industrial holdings of the Italian Commercial Bank, which was to confine itself to strictly banking activities.

There was a Council of Administration of fifteen members, appointed by the Government, representing Government Departments and the subscribing bodies. The Institute was to be supervised by the Ministers for Finance and Corporations. This Council has a large measure of control.

An interesting organ was created in Italy by a 23rd January, 1933, Decree,[1] the "Institute for Industrial Reconstruction", to engage in long-term credit[2] operations, (*a*) for home industries requiring reorganisation or rationalisation, and (*b*) for speeding up the process of liquidation of frozen assets resulting from past financial troubles of banking or industrial concerns. It was to operate in two sections.

Under (*a*), 15–20-year bonds, which may be State guaranteed, were to be issued. The capital for this section has come from the State Bank (a majority), the National Insurance Institute and the National Social Insurance Office; which are all represented on the Board of the Institute.

The capital for Section (*b*) comes from sums due by the State and the Bank of Italy to the Liquidation Institute and a twenty years' State annuity.

Each of its two autonomous sections has its own budget. The President, who is head of both sections, is appointed by the Government.

The Council of Administration of the Industrial Finance Section comprises six members appointed by the Minister for Finance in agreement with the Minister for Corporations; three of whom are nominated by the Deposits and Loans Fund, the National Bank for Social

[1] *The Times*, 4 2 33.

[2] Longer than in the case of the Italian Liquid Credit Institute

Insurance and the National Institute of Insurance, which subscribe this Section's capital.

The Council of Administration of the Industrial Liquidation Section comprises three members, appointed by the Minister for Finance, in agreement with the Minister for Corporations. This Council has a large measure of control.

In July, 1935, the Italian Government established by Decree a State monopoly for purchases from abroad of certain raw materials: coal, manufactured products and coke, copper and its alloys in raw and scrap forms, tin in block, bar and scrap forms, and nickel and its alloys in block, cube and scrap forms.

The monopoly was assumed by the Communications Ministry, which entrusted its operation to the State Railways' management. Purchases in foreign markets were to be regulated to improve Italian export thereto and to facilitate payments. Existing commercial organisations were to be used to distribute these products. In October, 1935, the Government granted 60 million lire to the Company for the Economic Development of Albania, for use in Italian national economic interests.

In November, 1935, an Office for Liquid Fuels was created, under the Minister for Corporations, with full control of purchases of petrol and other liquid fuels, and control of sales and prices; also a Government monopoly for purchase abroad of raw gold, exercised, for the Treasury, by the National Institute for Foreign Exchange, in conjunction with the Superintendent of Exchange.

On 3rd March, 1936, the Bank of Italy was made into a public institution; with capital from savings banks, the Instituti di Diritto Publicco and insurance concerns, private holdings being bought out. It will act as a central bank. Various banks already were public institutions; others were made "banks carrying out transactions in the public interest". Specialised functions were assigned to various banks. An Inspectorate for the Defence of Savings and the Exercise of Credit was made the supreme controlling organ, headed by the Governor

of the Bank of Italy; and with control of policy by a directorate, presided over by the Head of the Government, after hearing the opinion of the Central Corporative Committee.

Netherlands

In 1927, an Act created a Special Council for participation in the management of the Netherlands Postal Service, with advisory powers and powers of close scrutiny of its activities. It represents consumers [1] and staff,[2] and can insist that the undertaking meets social needs. It can make suggestions to the Minister, on its initiative or on request. Its annual report goes to Parliament.

Rumania

Since 1924, certain undertakings owned by the Rumanian Government have been run on commercial lines,[3] under an Act on commercialisation and control of State economic undertakings.[4] Another Act, modifying the 1924 Act, but on similar lines, was passed in 1929.

Under the 1929 commercialisation law, the aim was to use all existing forms of enterprises, concessions, leases, public commercial administrative, mixed undertakings and co-operative enterprises, organising public property according to its nature and financial circumstances.

In mixed undertakings there was to be a majority of private capital representatives on the Boards of Directors, no matter how much the State participated. A Superior Company was set up to administer public properties and enterprises, co-ordinate commercialisation by various departments, districts or communities, direct public undertakings in the best methods of commercialisation,

[1] E g Chambers of Commerce.

[2] Trade Union representatives were selected to represent them.

[3] Foreign private capital was also admitted, making some of these "mixed" undertakings.

[4] See *De l'Actionnariat des collectivités publiques*, by A. Chéron.

and create a technical, economic legal system for such bodies.

Primarily, being composed of specialists, it was to advise all public bodies developing their own property or enterprises.

Soon after the introduction of the new law, there were proposals to commercialise Rumanian river navigation, the Baia Mare gold-mines, production and distribution of electricity in Bucharest and Cluj, and production of silk cocoons, and weaving at Lugoj.

The railways, post office, telegraphs and telephones, bridges, means of communication and oil pipelines already have been made autonomous bodies.

The State owns railways, iron, copper, lead, zinc, silver and other mines, ports and docks and salt works.

Dating from 1929, the Central Co-operative Bank is an autonomous concern, the members of which are co-operative societies or federations. Its capital came chiefly from a State subscription, and co-operative societies and their federations could double this amount. At its general meeting, however, the State has only half as many members as the co-operative organisations. Co-operative organisations appoint five and the Ministers of Agriculture and Public Domains, Labour, Co-operative and Social Insurance and the National Bank of Rumania one each of the nine members of the Governing Body. The Central Co-operative Bank has financed the large-scale marketing of grain through the Central Co-operative for Import and Export (of which it is a member).

Spain

Air services are a Government monopoly operated by an official body, Lineas Aereas Postales Españoles, which receives subventions.

Sweden

The State owns the General Mortgage Bank, which it runs through a special Board, of which the Govern-

ment appoints the President, the National Debt Board Commissioners the Vice-President and the Mortgage Societies the other three members. Recently a body was formed to arrange long-term credit for industrial undertakings; and there is a Shipping Mortgage Bank.

As a result of protests against private coupon betting on British football, in 1934 a State monopoly company was formed to handle this business of coupon betting.

In 1914, State railways were administered by a Royal Railway Board appointed by the Government. The Socialisation Commission, appointed in 1920 by the Branting (Socialist) Government, recommended "industrialisation" of the State railways, with management by a special independent body.[1]

Switzerland

The State owns and runs some electricity concerns in company form.

The Wynau electricity works are an inter-communal company, in which forty-five communes own all the shares.

Six Swiss Cantons own all shares in the company, inter-cantonal electricity works, Usines du Nord-Est de la Suisse. It has participated in other similar undertakings and formed a special power transport company to enable these various concerns to get the maximum benefit out of the use of their invested capital and the best distribution of their current. With the town of Zurich it has formed the Waggital electricity works—each taking half the capital.

The State owns most of the railways,[2] which it administers, under a 1923 Act and subsequent Decree, through its railways' department and a specially created adminis-

[1] See *Railways of the World*

[2] It bought out the former companies, for £47 million, in 1898, after a Referendum; as a result of rights in concessions granted by the Cantons, which were transferred to the State in 1872. Previously some Cantons had owned shares in railway companies See my articles in *Railway Service Journal*, September–November, 1926.

trative council, with a certain measure of autonomy,[1] within fixed limits.

The Federal Railways own and run several big electricity concerns.

Turkey

In February, 1936, the second five-year plan envisaged increased State activity in mines, mining industries and electrification; and it seemed that soon all mines would be owned or controlled by the State. All mining activities were to be entrusted to a special Bank, the Etti Bank.

SOUTH AMERICA

Argentine

On 25th September, 1935, the Chamber of Deputies passed, at the second reading, a National Transport Co-ordination Bill, providing for a measure of railway unification and creation of a Transport Board representing all interests concerned. Railways had suffered from competition from road transport and among themselves. A 1934 Committee had reported in favour of co-ordination of rail, road and river transport. It also passed a Bill for Buenos Aires Transport Co-ordination. Further consideration was deferred until 1936.

UNITED STATES

A large number and a wide variety of special forms of public operation of industrial concerns and services have been developed, mostly since President Roosevelt took office in 1933. Most of these organisations have as their main functions those of control; but some of their functions put them in this category, as a later section in this chapter will show.[2] They include: Reconstruction and Finance Corporation; Commodity Credit Corporation; Farm Credit Administration; former Federal Farm Board and Agricultural Adjustment Administration; Federal Surplus Relief Corporation; Public Works

[1] See my article in *Railway Service Journal*, October, 1926.

[2] See pp. 316–30.

Administration; Home Owners' Loan Corporation; Emergency Conservation, Emergency Relief, Civil Works' and Works' Progress Administrations.

President Roosevelt has embarked on a gigantic national plan of public ownership and control in the electricity industry. He is carrying out fifteen huge power schemes, of which the most important are on the Colorado River, the Columbia River, the Tennessee River and the St. Lawrence.

The Boulder Canyon project, on the Colorado River, including the Hoover (or Boulder) Dam project (recently completed), is designed to protect the Imperial and Yuma valleys from floods and drought, to extend the irrigated area in Arizona and California, to furnish additional water for domestic and other uses in the coast counties of California, and to produce electric power.

The St. Lawrence scheme, to control the fast-flowing waters of the International Rapids Section at the north-eastern part of the United States, to complete a great water highway from the heart of the American continent through the Great Lakes to the Atlantic Ocean and to produce electric power, awaits approval by the United States Senate of a treaty with Canada and action by the New York State Government regarding the building of the proposed power plants.

The Columbia River project envisages the irrigation of vast areas of land, to attract new industries and the production of power. The Tennessee River scheme intends to use the rapid current and great falls of the river to afford flood control, improve navigability, produce cheap fertilisers for farmers and produce electric power. During a fifteen-year battle over the Muscle Shoals section of this scheme, two previous United States Presidents had vetoed Congress schemes for Government operation of the properties; but President Roosevelt passed an Act for Government operation of the Muscle Shoals plant as part of the Tennessee Valley scheme.

The President stated that he meant to use these schemes to set up "yardsticks" to let the people know the proper

price they ought to pay for electricity and measure private enterprises' charges, to cheapen power, and make it abundant for use in agriculture, industry and every home.

The Tennessee Valley scheme [1] has an even wider scope. It is a vast attempt at national planning of the reconstruction of a huge rural area, with the setting up of model communities, large-scale zoning, the establishment of minor industries, the manufacture of cheap phosphates and their combination with a rational use of leguminous plants, and the sale of power up to the mountaineers themselves, flood control, checking of soil-erosion, reafforestation, elimination from agricultural use of marginal lands and distribution and diversification of industry. These purposes are to be achieved throughout the larger national plan. The Tennessee Valley Authority's [2] operations extend over an area nearly as big as England.

This Authority ("T.V.A."), responsible for the development of the plan, is a Government organisation, responsible directly to the President, a corporation clothed with the power of Government, but possessed of the flexibility and initiative of private enterprise. Under a new Government Bill to extend its powers, passed by the House of Representatives in July, 1935, it is to be a Government Corporation, headed by a Board of three directors (serving five, ten and fifteen years respectively—their successors fifteen years). It would be modelled somewhat along the lines of the Port of New York Authority.[3] It could build transmission lines, in competition with existing private ones,[4] and could sell

[1] On which there has been a great struggle in the Courts, won by the President by a Supreme Court decision in February, 1936

[2] It was created by an 18th May, 1933, Act Its capital was to come from the Public Works Fund

[3] It remains to be seen whether capital will come from the State via the Reconstruction Finance Corporation or whether, like the British Central Electricity Board, it will be a concern publicly run but with private capital without any voice in control.

[4] Bringing the country's power development more directly under Federal supervision and preventing private lines from carrying current from Muscle Shoals

power independently at less than cost of production. Its permission must be obtained before any further dams or "appurtenant" works are constructed on the river or any of its tributaries.

Further operations would begin with the development of Cove Creek Dam and a transmission line from Muscle Shoals (already built for war purposes [1] but now seen to have a peace, agricultural and industrial value), and production of fertilisers and their ingredients. The Corporation would contract with commercial producers of such fertilisers or fertiliser materials as might be needed in the Government's programme in excess of production by Government plants. It would arrange with farmers or farm organisations for large-scale practical use of the new form of fertilisers, and would co-operate in local experimental work. It would manufacture fixed nitrogen at Muscle Shoals by using and modernising existing plants, etc. It would sell surplus power, not used in its operations, to States, counties, municipalities, corporations, partnerships or individuals and contract for this purpose, not exceeding twenty years. In such sale preference would be given to public bodies, or co-operative organisations of citizens or farms. Contracts made with private companies or individuals for sale of power to be resold at a profit would be subject to cancellation at two years' notice, if needed to supply demands of public bodies. If any public body or public or co-operative organisation of citizens or farmers not organised for profit, or any two or more of them, agree to build a transmission line to the Government generating place or main Government-owned transmission line, the Corporation could contract with them for up to *thirty* years.

The Federal Power Commission could fix the reasonable, just and fair price of any power resold by a corporation or individual receiving from the Corporation surplus power.

[1] Completion of Muscle Shoals scheme would be but a small part of the Tennessee Valley development.

To enable cities, counties and towns in Alabama to take advantage of this scheme legislation has been passed in this State allowing these public authorities to buy, build and operate power and light plants and electricity transmission lines.

The Tennessee Valley Authority has begun work well. To encourage electrification it has created the subsidiary, Electric Home and Farm Authority, to sell electric appliances. It has stimulated co-operative enterprise and has started to cut out superfluous intermediate costs.[1]

Another huge scheme recently put forward by the Mississippi Committee of the Public Works' Administration is for a vast development of the Mississippi Valley, by electrification, flood control, navigation and fighting against erosion.

When the 1935 Banking Bill was being discussed in the Senate, Senator Nye proposed to set up a "Bank of the United States" with full powers over the flow of credit and issue of currency, national direct control over every private or joint stock bank and with a representative of each State on the Board. This plan was defeated.

In November, 1935, New York municipality arranged, tentatively, to acquire the entire elevated and underground railway system from operating companies, by payment in bonds; issued by a Board of Transport Control, to be created to manage one of the largest quasi-municipal undertakings in the world.

In January, 1936, the Federal Government allotted over £11½ million for the building of a vehicular tunnel under East River between Midtown Manhattan and the borough of Queens, conditional upon the passing by New York State Legislature of amendments to the Act creating the Queens–Midtown Tunnel Authority.

The Panama Canal zone is a strip of land, five miles on each side of the Canal excluding the cities of Panama and Colon, granted to the United States by the 1903–4

[1] Cf., also, J. S Huxley's articles in *The Times*, 21st–22nd May, 1935 Replacing a bought-out company, a consumers' co-operative formed in June, 1934, to buy power from the T.V A at once reduced rates by 40–65 per cent.

Treaty ratification and agreement [1] on payment of compensation. No land in the Zone is privately owned. The United States obtained the right of building the canal across the Isthmus. Moreover it owns the railway connecting the above two cities.

The Zone is a Government reservation administered by an organisation called the Panama Canal, an independent organisation in the Government service, directed by a Governor, under the President of the United States, represented by the Secretary for War in the administration of Canal affairs.

Together with the Panama Canal, the United States Government owns and runs two railways, some hotels, restaurants and shops.

OTHER COUNTRIES

China

The State-owned Central Bank of China was founded in 1928.

Manchukuo

In 1933, the Manchukuo Government laid down a programme that all key industries, as well as public utility enterprises, should be nationalised and run by specially chartered corporations.

Mongolia, Outer

Half the capital of the State Bank is held by the State Bank of Russia.

(*b*) *"Mixed" Undertakings* [2]

The "mixed" form of undertaking, in which the State or other public authority owns only part of the concern

[1] A new Commercial Treaty was signed in 1926

[2] See *L'État actionnaire*, by P Lapie; *L'Activité d'économie privée de l'Etat en égard particulièrement aux récentes tendances de socialisation*, by G Markus; *L'Administration locale*, July–September, 1930, *Les Entreprises communales de caractère mixte* Summary of proceedings of Liége Conference of International Union of Local Authorities called to consider this problem, and *Revue Economique Internationale*, August, 1930, *Les Exploitations d'Economie mixte*, by R. Miry.

—sometimes a majority interest—is not new, but it has developed enormously since the Great War, particularly in Germany. During the inflation period and the depression, States have resorted to this method of collective enterprise. In some of these cases the State, in addition to a normal return on its shares, gets a special share of profits.

BRITISH COMMONWEALTH

Great Britain

The British Government owns, in the Anglo-Iranian Oil Company, out of a total issued capital of £26,131,252 (£7,232,838 First Preference Stock, £5,473,414 Second Preference Stock, and £13,425,000 Ordinary Stock), £7,500,000 Ordinary and £1,000 First Preference Stock. It has the right to appoint two ex-officio directors to the Board of this Company and of its subsidiaries, which directors can negative resolutions of the Board; though the other directors can appeal to the Government. The Company owns 49 per cent of shares of Commonwealth Oil Refineries, Ltd. (the balance being owned by the Commonwealth Government), and all the Preference capital of Broxburn Oil Co., Ltd., an interest in Iraq Petroleum Company, Ltd. (23·75 per cent), Société Générale des Huiles de Pétrole and Norske Braendselolje, Shell-Mex and B.P., Ltd., and guarantees principal and interest on £602,500 5 per cent Debenture Stock of Britannic Estates, Ltd. It owns all shares of Britannic Estates, Ltd., 93 per cent of shares of First Exploitation, Ltd., 98 per cent of shares of North Iranian Oils, Ltd., and, jointly with Anglo-Saxon Petroleum, Ltd., all shares of Consolidated Petroleum Co., Ltd., and all shares of twenty other companies. It is under contract to supply the British Government with a large amount of fuel oil over a term of years. It owns refineries in Iran, Wales and Scotland, and a fleet of tankers. It owns a concession for sixty years from 1933, and pays the Iranian Government a royalty.

Imperial Airways was formed in 1924. A 1929

agreement with the Government provided, *inter alia*, for a weekly air mail service, each way, from England to India, and also daily services on certain routes in Europe,[1] for the payment by the Government to the Company of subsidies at certain maximum rates per annum; also, in accordance with the contract with the Government an adequate allowance must be made for obsolescence. The Company's capital was [2] £649,080 (issued) Ordinary shares, and £25,000 Deferred, which latter were issued as fully paid to the Government in consideration of its cancellation of the Company's obligation to repay the Government sums received by it by way of subsidy. Profits were regulated. The Government nominates two directors out of eight.

An interesting form of enterprise is one in which private capital predominates but in which there is complete Government control. The Central Electricity Board only borrows private capital, but is completely Government controlled.[3]

Cable and Wireless, Ltd., is a privately-owned company with a measure of Government control.

Grimsby municipality built a fish dock jointly with the L.N.E. Railway Company. The town was responsible for building the dock, with Government financial aid, and the Railway Company agreed to pay a rent for the dock equal to annual payments for interest and sinking fund on the loan, the dock becoming its property when the loan was repaid.

The Agricultural Mortgage Corporation (formed by the Bank of England and nine Joint Stock Banks, to make loans on first mortgages of agricultural or farm lands and for effecting or paying for improvements for agricultural purposes) was given a grant towards expenses for a limited period, by the Minister of Agriculture who also lent £650,000, used as a further guarantee fund.

[1] In December, 1934, a service on the main Singapore–Brisbane route began

[2] Authorised £1,000,000

[3] As previously stated (see pp 208 and 211) this, and the London Passenger Transport Board, are, in a sense, "mixed" undertakings.

Canada

On 14th March, 1936, the Dominion Government announced a motion to enable it to acquire a predominant interest in the ownership as well as in the effective control of the Bank of Canada.[1]

Irish Free State

The Government recently formed, under its control, a company (£5 million capital) for investing and lending money to trade and industry. While the Minister of Finance holds half the issued shares he can appoint a majority of the directors.

New Zealand

The State participates in the capital of the Bank of New Zealand and shares in its profits, and exercises control (though private share capital preponderates). Of a Board of six controlling administrators, the Government appoints four, and shareholders two.

A Reserve Bank was formed, with joint State and private control, and also a semi-State Mortgage Corporation. The former was created under a 1933 Act (and amended by the Finance Act, 1934), and began operations on 1st August, 1934. The Government lent £1 million to the Reserve Fund. There were three State directors, and four shareholders' directors (two representing primary industries and two industrial or commercial pursuits). These were all appointed by the Government. Further, there were a Governor and Deputy-Governor appointed by the Government. The Secretary of the Treasury was ex officio a member of the Board (non-voting). Profits were regulated; and above a certain point, an allocation was made from them to the Government. Among other things it led to a lower rate of interest on Treasury Bills.[2]

[1] See pp 281–2

[2] An April, 1936, Act provided that it would become State-controlled; private shareholders being bought out The shareholders' directors were to remain as State appointees An annual report is to be made to the Finance Minister The Secretary of the Treasury is a member of the Board. The Government appoints the Governor and deputy-Governor for seven years

The Mortgage Corporation was formed in 1935, to lend on mortgage, and the mortgages held by the State Advances Department were transferred to it. It was a semi-State undertaking (the Government holding £½ million out of a total of £1 million shares), with a Government-appointed majority of directors (four out of seven). It could issue debentures secured on its capital and mortgage assets. The Lands Department's land settlement loans were to be transferred to it later. The aim was to give the individual lender the security of all the loans and the borrower a lower rate of interest by reduction of risk and management expenses. In April, 1936, the new Government announced that all Government lending facilities would be unified with those of this Corporation and brought under more direct Government control.

EUROPE

Austria

There are many "mixed" Joint Stock Companies with participation by public authorities.

The Government has a 70 per cent interest in the Danube Steamship Company.

In 1923, Ratao, a Russo-Austrian company, was formed by the Russian Government, a syndicate of all the Austrian "collective" or co-operative undertakings and a private financial group, in order to promote trade between the two countries.

Belgium

All ordinary shares of the Belgian railways, which are run in company form, are owned by the State—but other capital has been admitted.

The State has a large number of shares in the National Bank, which it controls through a Commissioner appointed by it.[1, 2] It also participates in the National

[1] When the Bank Charter expires, two-thirds of the Reserve Fund become State property

[2] The Governing Body of the Bank contains public authority representatives and economic experts

Society for Industrial Credit. The State participates in metallurgical undertakings. It participates in many large colonial concerns, e.g. the Congo Railways; and, in 1929, had 1,500 million francs of holdings in Congo Mineral enterprises.

The Government has shares in Lloyd Royal Belge Shipping Line in return for an annual credit granted by it. It supervises this line.[1] It also participates in the capital and control of the Société Anonyme Belge de Construction Aeronautique.

Denmark

An 1894 Act on Private Railways enabled the State to become a shareholder up to 50 per cent of the cost, with voluntary subscription of the rest by interested towns, Districts and County Councils and, occasionally, a big landowner. These lines were managed in company form. A 1908 law permitted different participation in different companies, and State shares for contributions made. A further 1915 law provided that in 37 out of 42 lines the State subscribed half their capital.

France

In 1934, the Government brought about compulsory rationalisation of the chief Air Lines into one company, with State participation and control. It was suggested that the Government should own 25 per cent of the shares. The State grants subsidies.

The State and local authorities participate in electrical undertakings, usually with a majority of votes, in mixed public companies.

In May, 1935, the long-awaited company for carrying out the development of the River Rhone, for navigation, irrigation and as a source of power, was constituted. Under the terms of the 1921 Act, this Compagnie Internationale du Rhone (which has an exclusive concession for the enterprise) will have a total capital of 2,400 million French francs (one-tenth shares and the

[1] And also the Société Générale de Belgique.

rest bonds), the shares being held in four blocks of 60 million francs each, by the following:

(1) the Departments, towns and Chambers of Commerce of the Rhone valley; (2) the Department of the Seine; (3) the P.L.M. Railway Company; and (4) various individual undertakings. Of the forty directors composing the Board, the State will appoint sixteen and the above groups six each; so that the public authorities will have a majority control.

The French Government in Morocco participates in mixed mining concerns.[1] In 1935, a State Colonial Bank—Crédit Nationale—was formed to grant medium and long-term credits for colonial trade; with State participation through Banks.

Throughout the nineteenth century the State participated in private railways, by granting concessions, subsidies and interest guarantees, with sharing in profits. The plight of the private railways as a result of the Great War led the Ministry of Public Works, in 1918, to introduce a Bill for associating the State and the companies in commercial exploitation of a co-ordinated system. This was withdrawn; but a new 1921 Act provided a financially unified system comprising the State and the private railways, embodying the "Common Fund" principle, with a consultative Superior Council of Railways, with staff representation, and a Committee of Management, and with financial relief from the State. A counter project by M. Loucheur, involving the leasing of the railways by a Company with private, State and staff share participation, was withdrawn. The 1921 Act allowed staff participation in shares under a 1917 Act.

Germany[2]

[*N.B.*—See note on p. 195.]

The German Reich has holdings in many companies, e.g. Rhenish Metal Goods and Engineering Works Company, Junkers Works (producing Aircraft—a

[1] See *L'Europe Nouvelle*, 4 3 33, "L'Economie mixte en Afrique du Nord", by R Crosti

[2] See also pp. 221–6.

majority holding), Air Hansa (majority),[1] and, through the Federal Transport Ministry, in twenty different steamship, road, air and other transport companies. It controls and/or owns most or part of the shares in banking concerns, such as Annuity Bank Credit Corporation,[2] Bank for German Industrial Bonds, German Building and Land Bank (majority of shares), German Land Cultivation Company (through the Federal Railways Company), the German Traffic Credit Bank Company.

Through the State Mining and Smelting Company, all shares of which it owns, Prussia has acquired controlling interests in a briquette works, lead mine, waterworks, mining cement company, soda works and various sales offices. Through the State Mining Company, Recklinghausen, of which it owns all the shares, it has large or controlling interests in Rhine shipping, coal transportation, manufacture and sale of mineral oils, fats, tar products and chemicals, an iron wholesale house and a coal utilisation company. Through the State Mining Company, Hibernia, practically all the shares of which it owns, Prussia has majority interests or holdings in a coal-vending company, a coal and warehouse commandite company with large connections all over Germany, a large fleet of Rhine steamers, a wholesale timber concern, a wooden bars veneer factory, a fixed nitrogen-producing plant and a coal utilisation company. Through the State Electricity Company, of which the State owns all the shares, Prussia has controlling interests or holdings in a lignite pit company, a coal-mining company, many other power companies, and participates in a network of supply, with other States, stretching all over Germany; and also it bought a large block of shares in the Thuringian Gas Company. Through the Saxon Works Company, of which it owns all the shares, the State of Saxony has holdings in various fuel and power undertakings. Through the Elektra Company, which is

[1] State Governments and Municipalities also participate.

[2] In the organs of administration, agricultural and co-operative organisations are represented.

State-owned, Saxony has huge holdings in twenty electricity, tramway, air traffic, electro-chemical, gas supply, and lignite works companies. The State has shares in rolling stock and other traffic undertakings. Through the National Electricity Company, which it owns, the State of Baden has full or controlling interests in many concerns.

Numerous State and Provincial Banks, under direct Government control, have holdings in various other financial concerns.

The Prussian State and Prussian and Bavarian Electricity Companies have formed a German company to co-ordinate the work of regional public companies.

Most of the share capital of the company for constructing the big Rhine–Main–Danube Canal was taken by the Federal and State Governments of Germany and by various municipalities.

The capital of the German Air Traffic Company, Nuremberg-Furth, is mainly owned by public authorities, including four States and thirteen towns. The chief Burgomaster of Nuremberg acts as Chairman of the Board of Management; and the Board, also, comprises representatives of the four States' Finance or State Ministries, of the towns, and of various private air and banking companies. It aims at feeding large-scale air traffic.

The Nuremberg Zoological Company is a public utility company, in which the municipality participates. The Municipality of Nuremberg own a majority of shares in the Nuremberg Travel Bureau Publicity Utility Company Limited, the other participant being the local Tourist Traffic Association. The Municipality has six out of nine members of the Board of Management. It carries on local and extra-local publicity.

Rheinisch-Westfalische Elektrizitatswerke, undertaking production and distribution of electricity over a very large part of Prussia, for many big towns in the Rhein-Main area, is a company, with municipal ownership of a majority of its capital, but with considerable private capital. Often, nowadays, similar concerns are

founded across State boundaries, and on economic considerations. There are numerous mixed gas supply concerns in mid-Germany. Forty-seven per cent of the long-distance gas supply in Germany is in the hands of mixed companies, with municipal participations. A majority of the shares of the Super Power Station Franconia Company, Nuremberg, is owned by municipalities. It entered into partnership with another mixed concern, the Rhein-Main-Danube Company, for joint exploitation of power stations.

The various mixed and publicly-owned electricity concerns in Germany have formed a company to facilitate their co-operation and electrical development.

Mixed concerns for long-distance gas supply have been formed in Westphalia and elsewhere. Eighty-five per cent of the shares of the Erfurt Gas Distribution Company is in the hands of the public authorities. The towns of Frankfurt and Offenbach have a 60 per cent share in the Frankfurt Gas Company.

The Bavarian Milk Supply Company Limited has had a very interesting history. Founded by Nuremberg Municipality it now has its share capital and seats on the Board of Management allocated as follows: Municipalities, 60 per cent (18 seats); farmers' group (Milk Production Society, 8 per cent; Bavarian Confederation of Agricultural Co-operatives, 7 per cent; Bavarian Co-operative Union, 7 per cent; Regensburg Milk Utilisation Co-operative Company, 3 per cent), 25 per cent (8 seats); milk dealers' group (Purchasing Co-operative of North Bavarian Milk Dealers, Ltd., 14 per cent; Milk Dealers Co-operative Regensburg and District, 1 per cent), 15 per cent (4 seats). The Company exists to provide the population with an adequate supply of milk and milk products, of good quality and at moderate prices, and to provide a reliable market for farmers and reliable sources of supply for traders and consumers, and to further all efforts at producing hygienically irreproachable milk. It is now one of Germany's biggest milk producers. It has branches at Fürth and Regensburg

and at the health resorts of Garmisch and Partenkirchen. It has acquired other concerns and has seventeen leased country dairies. It runs subsidiary undertakings, for necessary wholesale purchases; is connected with the Central Marketing Co-operative Organisation for Bavarian Trade Mark butter, a marketing organisation for standardised cheese production, a co-operative marketing organisation for German fresh eggs; and has holdings in the Alcohol-Free Restaurants Limited. It runs a pig-fattening farm for using its by-products.

There are several mixed water-supply concerns in Germany and numerous mixed railway, tramway and motor-bus undertakings. Many small suburban railways are mixed companies, likewise numerous ports, e.g. at Bremen and Altona, and aerodromes. Dusseldorf has a 96 per cent interest in Rheinische Bahnges:, Elberfeld, 61 per cent in Bergische Kleinbahn A.G., both mixed transport companies. German towns have an 11 per cent participation in Luft-Hansa, the big aviation company. In recent years they have taken part in building good hotels, to encourage tourist visits. There are mixed health resort companies, in which the State or local authorities hold most, or part of the shares. Cologne owns 20 per cent of the capital of Mulheim Light Railway Company.

In May, 1931, Berlin Municipality had to turn its electricity works into a mixed concern, Berlin Power and Light Company, to facilitate the raising of capital and supply Greater Berlin with power. Through the participation of the Electricity Works Company (Federally owned) and the Federal Credit Company, and the Prussian Electricity Company (Prussian State-owned) the majority of shares is held by public bodies.[1] Berlin holds 25 per cent and retains the right to fix charges.

Through the United Aluminium Works Company, the Reich took up 17 per cent of shares in the French Alliance Aluminium Cie., Basle, in order to draw closer

[1] Also American, English, Swiss, Swedish and Dutch Banking groups participated

to other European concerns and to make easier collaboration with Canadian producers.

Electricity Works Company took 48 3 per cent of shares in Brunswick Coal Mines Company. In acquiring additional shares in Saxony-Anhalt Electricity Works Company, in conjunction with the Provincial Union of Saxony it obtained a majority of shares in this large-scale distributing undertaking for Saxony and the Free State of Anhalt.

During the nineteenth century Prussian legislation authorised the State to adopt the policy of taking shares in private railways and using dividends for further purchases, in order to buy out all private share capital—after 1879 the acquisition of private railways became the State's definite policy.

In March, 1936, it was stated that the Government would become the largest shareholder in the Hamburg-Amerika and North German Lloyd shipping companies, in return for paying their debts. On 23rd April, 1936, three Government directors were elected to the supervisory Board of the former company.

Hungary

The State owns shares in several light railways, financial institutes and various co-operative undertakings. In 1916, it founded, with the big banks, the Central Office of Financial Institutes to help stricken financial undertakings. In 1918, it founded a special Institute for providing long-term loans for industry; and in 1930 formed the Trans-Danubian Electricity Company, the largest producer of electricity in Hungary, supplying, *inter alia*, the Budapesth trams and part of the State railways. The State also owns shares in private companies for supplying chemicals for agriculture, pig-raising, bandages, and manufacturing nitrogen and a National Clothing Institute Company. The State has created a Central Control over its activities as holder of shares in various private companies.

Italy

The State participates in a number of mixed industrial and other concerns.[1] There are mixed undertakings, in which public authorities participate, for electricity, gas, ice and water supply. In 1919, the Finance Minister bought the majority of the shares in Sudbahn, the important railway between Trieste and Prague, via Vienna and Budapesth. In 1923, the Government bought a majority of shares in the Fiume Mineral Oils Refining Company.

The State owns the bulk of the shares in a company formed to exploit the Cogne Mines; and 50 per cent of the capital of the Company running electricity and cognate installations at Aoste. Both of these are managed by a Governing Body appointed by the Ministers of National Economy and Finance. In 1926, the State took most of the capital in the Italian General Petrol Company, subsequently fused with the National Mineral Oils Company, which controls the Fiume Mineral Oils Refining Company. It is managed by a body of persons partly appointed by the State and partly Civil Servants. The State owns two-thirds of the share capital of the Italian Tobacco Monopoly Company. It also participated in the National Fertilisers Company, formed to exploit the Phosphate Mines near Kosseir, Egyptian Red Sea port. It guaranteed a minimum interest of 4·5 per cent on shares and of 3·5 per cent on Debentures subscribed by Savings Banks, Insurance Funds, Loan Funds, etc., of the National Credit Institute, a Company formed, in 1923, to develop Italian undertakings abroad. There is for oil a controlled market by the aid of semi-State organs.

At first Signor Mussolini thought of a State monopoly and even negotiated with Russia the purchase of a concession in the North of the Caucasus; but capital was inadequate for building a pipe-line to the Black Sea and purchase of cistern-boats for transport from Novorossisk

[1] See *Revue Economique Internationale*, April, 1933, "Les Problèmes de la Société économique mixte," by L. Gangemi.

to Italy, so the American Trusts were allowed to work refineries and distributing concerns in Italy. But, like German, Russian competition was opposed to them. Signor Mussolini formed a mixed Company, "Petrolia", with a capital of 500 million lire, half subscribed by the Soviet Neftsyndicat and half by an Italian financial group, which has refineries at Fiume and reservoirs at Savona; and Italy became one of the biggest clients of Russia. Thinking this insufficient to ensure control of the market he created the A.G.I.P. (like the National Office of Liquid Fuels in France), under direct State control, but with full autonomy in industrial and commercial matters. It buys oil products where it wishes, forms stocks for the Army and Navy and at any moment can stop a rise in prices by throwing its reserves on the market. It also gives exceptionally low prices to certain kinds of consumers which the Government desires to favour (e.g. for agricultural traders). It has interests in the Fiume refineries, for supplying oil fats. It can function effectively on the whole national economy of Italy. Though it has to buy crude or refined oil abroad it builds up sources of supply independent of the Anglo-Saxon Trusts and Russia. It founded two companies, one for research for oil-bearing strata in Italy and the other to exploit certain bituminous schists found in the national soil. Recently it gave a subvention for the operation of borings in Albania. It has an important concession in Rumania; and recently passed a contract with the Royal Dutch for participation in the Mosul strata works.

The official Coal Institute holds a majority of shares in a number of coal-mines.

Netherlands

An October, 1935, Government Bill provided for the creation of a Limited Liability Company, with a Government subscription of 49,900 out of 50,000 Florins, to act as an intermediary for allocating long-term loans for the execution of public works and development of industry;

and, for this purpose, to take shares in banks, and other similar institutions. The Company would be managed by a Committee of representatives of the Ministries of Industries, Commerce and Navigation, and Finance, aided by an investigation office to study, with workers' organisations, the wage policy of undertakings aided.

Norway

State, Municipal and private capital participated in the first railway. Subsequently the State participated with Local Authorities and private capital in owning railways. Eventually the State bought most shares in private companies.

Poland

The Government formed the "Pionnier" Company in which it participates, to overcome the inability of various companies to exploit oil resources satisfactorily. Adequate funds were put at its disposal. In the cartel formed by the Government it has grouped compulsorily the refining companies for five years, authorising them to sell at prices enabling an honourable existence. They must participate in a company for making explorations and make contributions for various purposes; and their business is limited. The State owns the most important refinery in the country, which it gives special privileges: the State gives it oil received as dues.

Rumania

Rumanian laws on Commercialisation of Public Economic Undertakings, passed in 1924 and 1929, regulated the transfer of various State economic undertakings (mines, railways, forests, ports, docks, etc.) to a mixed and commercialised form of undertaking. The first intention was to allow foreign capital deemed necessary to enter more easily. The 1924 law preferred the mixed form; but the 1929 law provided for leases and concessions, a "public commercial" form, a "mixed"

concern, a "co-operative undertaking", or a combination of the previous forms.

Spain

The State participates in the Bank of Spain and takes half its profits.

Throughout the nineteenth century much State financial help was given to the railways. A 1924 scheme, similar to that applied in France in 1921, provided for a kind of consortium or partnership between the Companies and the State; whereby the latter provided capital for new lines, extensions and alterations.

Sweden

In return for loans the State obtained representation on private railway Boards.

Municipalities have subscribed shares to certain private railways—and sometimes have provided guarantees for them. The city of Goteborg is the biggest shareholder in the largest private railway. It also holds shares in a Swedish-American shipping line.

The State owns 50 per cent of the shares of the Luossavaara-Kurunavaara Iron Ore Company, which has the bulk of Sweden's exports; and took power to buy all other interests in the concern at a given date. Through this Company the State owns a fleet of steamers.

Swedish Municipalities participate in mixed waterfall concerns. Five towns hold, together, 58 per cent of the shares of the South Swedish Power Company (distributing), which has swallowed up other concerns. In a Sala concern the town holds 95 per cent of shares.

The State owns 85 per cent of shares in the Swedish Tobacco Monopoly, and guarantees Preference Shares; and also exercises control by appointing members to the Board and half the auditors.[1]

In 1923, "Spiritcentralen", a company the capital of

[1] There is a monopoly of import of raw tobacco. Private individuals can cultivate, but must yield to the monopoly their non-exported harvest In 1916, the function of wholesaler was abolished, with compensation, in certain cases only.

which was largely in State hands and which was put under close State control, was given the sole right to organise the wholesale liquor trade other than beer, for five years. From 1865 onwards, the retail spirit trade was ruled by the Gothenburg system of monopoly companies, under municipal control, with profit limitation and devotion of surpluses to public purposes. In 1913, the State took all profits from the sale. In 1919, the "Bratt" system brought all beer over 3 6 per cent into the system and allowed import of wines and beers only through the agency of these companies.

In 1925, a Broadcasting Company in which the State had an interest was given a monopoly whereby ten main and relay stations were set up jointly with the Postal authorities.

Switzerland

The Swiss Cantonal banks are empowered to take shares in industrial undertakings. There are semi-State or mixed mortgage and other banks. The Swiss National Bank is a mixed company, most of the shares of which being owned by the State, Cantons and Cantonal banks, the rest being privately owned. It is administered through a council, two-thirds of which, including the President and Vice-President, are elected by the Federal Council, and which comprises representatives of commerce, industry, trade and agriculture. There are two mixed Cantonal banks (Vaud and Zug).

The State participates in certain Joint Stock Electricity Companies: local authorities participate in others. Mixed concerns have bought up private concerns with the aid of Cantonal banks. The Canton of Berne (81 per cent) and the Cantonal Bank (15 per cent) and various communes (3½ per cent) own most shares in Bernische Kraftwerke A.G. It feeds public and private concerns and is under direct Cantonal control. It has bought up Companies with State aid. The Cantons of Zurich, Argovie, Thurgovie, Schaffhouse, Glaris and Zug own Nordostschweizerische Kraftwerke A.G., in

Baden (a big electricity concern). It co-operates with Zurich in running the "Waggital" concern by a special Company. It is not under direct Cantonal control. It sells only to four Cantonal undertakings and not to individual consumers. It has bought up other concerns. These two concerns participated in another mixed concern with private electricity undertakings, which largely export electricity, to help internal supplies and to use the former's surplus for export.

In the nineteenth century, under a "système de pénétration", public bodies (Cantons and the Federal authority) bought shares in railways.[1] The Canton of Berne owns many stocks and shares in the Lotschberg Railway Company: with the State it owns a majority of shares in it. The Cantons of Berne and Valais or the Federal Government have the right of repurchase, and the latter has imposed a certain control on the concern. The Federal Government has granted a subsidy and the Canton of Berne has guaranteed interest on a loan. The Canton of the Grisons and the Federal Government are the chief shareholders in the Rhaetian Railway. The Canton of the Grisons and the Communes of Coire and Arosa are the main shareholders in the Coire-Aroza Railway. Public authorities participated in building the Furka-Oberalp Railway.

Twenty-four Swiss Cantons participate in the "Salines Rhénanes Suisses Réunies". There is an inter-Cantonal Electricity Company. Municipalities participate in various mixed tramway companies.

The State participates in these companies: Société fiduciaire des Hotels Suisses and Société fiduciaire de la Broderie Suisse. The Federal Railways are interested in a Power Transport Company, and in Sesa, a company for express deliveries, and the Telephone Administration participates in the Marconi Radio Company.

[1] After an 1898 referendum, following an 1897 Act, the main companies were acquired by the State Purchase agreements with four of these were reached by 1903, and with the fifth (Gothard, after agreement with Germany and Italy) in 1909

SOUTH AMERICA

Mexico

When the National Railways of Mexico were formed, in 1909, the Government owned a majority of shares; and this Company controlled the Interoceanie Railway through owning over 50 per cent of its capital.

UNITED STATES

During the economic crisis the Government, directly, or through specially created bodies, has had considerable financial participation in industrial and economic enterprises. Examples are the Federal Deposit Insurance Corporation, the Federal Farm Mortgage Corporation and certain activities of the Reconstruction Finance Corporation. One particular illustration was the introduction of a scheme for establishing intermediate credit banks to provide long-term capital for industries, to which the Government subscribed the original capital, on which private borrowing could be made. These banks were to operate under the Federal Reserve Board. The Government also bought stock in Home Loan Banks, formed to aid owners of mortgage homes in towns and cities.

OTHER COUNTRIES

China

In 1935, the Government-owned Central Bank was given an independent form with the participation of the important Banks.[1]

Egypt

The "Crédit Agricole d'Egypte" was set up recently to finance rural co-operative and similar activities. The State holds half the shares; and promised £6 million as operating capital. In April, 1936, the Government took an option on 15 per cent of shares in the British Oil Development Company (owning an important concession in Iraq).

[1] There are three Government Banks.

Iraq

A September, 1935, Act provided for an Agricultural and Industrial Bank to be created by 1st April, 1936, with Government participation in share or other capital, operations being under the control of the Ministry of Finance.

(*c*) *Public Control*

Apart from ownership, with direct or indirect operation of industrial and trading concerns and services, joint ownership, sometimes with other collective bodies, and participation in mixed undertakings, the State and other public authorities exercise a vast and an ever-increasing measure of control over such concerns and services. Also other forms of collective control have been evolved. This control takes an extremely great variety of forms; of which some indication follows. It embraces: regulation of the use of land; land purchase; land distribution; control and planning of natural resources; concessions; limitation of profits and price regulation in public utilities; control of monopolies; compulsory rationalisation; compulsory restriction of production; compulsory State approval of new plants and factories and new industries, and extensions of existing undertakings; encouragement of public works; marketing control, through special Commissions, Board, Corporations, or co-operative pools and other bodies, with or without selling powers and expert or representative in composition; Grain Boards; buying Commissions; import Boards, quotas and licences; export controls; State control of all foreign trade; special Commissions for planning services like housing, slum clearance, zoning of areas; price controls, general, and for farmers and producers of raw materials; stock exchange and commodity exchange controls; control of Banks, through Commissions, special legislation and the Treasury; transport control, through special Committees or Commissions, legislation and licensing; control of water power and electricity through special Commissions, legislation; control of raw materials through restriction

of acreage and output, control of exports and marketing and Government monopolies; organised barter; a "Code" system; development and reconstruction of whole areas; national planning; and emergency industrial control for national defence purposes.

BRITISH COMMONWEALTH

Great Britain and Northern Ireland

In recent years an experiment has been made in agricultural economics and administration, especially in marketing. Of about £500–550 million of total British agricultural consumption uncontrolled in 1929, about £120 million of home production and £140 million of imports are under some form of organisation to-day.[1] British agricultural producers have found that co-operative control pays and have accepted the principle of control, regulation and, if necessary, restriction of home production, preceding Government control, taxation, or restriction of agricultural imports. Most recent agricultural legislation and control have been based on the Agricultural Marketing Act, 1931.[2] Under the 1931 Agricultural Marketing Act and amending legislation thereto, producers of an agricultural commodity are

[1] Mr Walter Elliot, M P, Minister of Agriculture, addressing the Institute of Public Administration, *The Times*, 18 10 35

[2] On the subject of agricultural marketing in Great Britain, see, *inter alia*, in addition to the two Acts, 1931 and 1933, *The Times*, 15 9 32, 6.2 33, 8 3 33, 19 8 33, and 7 9 33, and the *Report of the Milk Reorganisation Commission* (Ministry of Agriculture, Economic Series, No 38, 1933) and other Ministry of Agriculture Reports. See also *The Economist*, 29 10 32 "P E P.", a planning organisation, wants Government Commissions to plan Central marketing organisations working in conjunction with various industries, followed by producers' organisations, with both linked in a National Council for each industry

The significance of the 1931 and 1933 Acts was emphasised by Earl de la Warr, leader of British delegation at the 12th General Assembly of the International Institute of Agriculture, at Rome, on 24th October, 1934. He condemned laissez-faire in agriculture. He indicated the value of Commodity Boards which agricultural and associated processing industries could set up to organise and control all marketing functions connected with the first sale of agricultural products; with powers to lay down grades, methods of packing and transit, place of sale, make contracts for producers and lay down minimum and maximum prices Also he stressed the importance of the 1933 Act in relating import control to efficiency in marketing at home.

empowered to prepare and operate marketing schemes, with Parliament's approval, for such commodity. The Government can create a Reorganisation Commission to study the marketing of a given commodity and draw up a scheme for regulating the marketing thereof, if producers are unwilling to elaborate schemes. Such a scheme must be controlled by a Producers' Board, comprising also independent co-opted members. It is operative only if approved by a majority of the producers in question. Such producers must be registered. The Board has wide powers; e.g. it can fix prices and terms, conditions and agency of sale. To supplement the 1931 Act, a 1933 Agricultural Marketing Act provided for the control of amounts of a commodity that could be produced at home and also for amounts which could be imported from abroad, conditional upon reorganisation of home production. Under the 1933 Act, powers are taken to restrict the production of registered producers, if necessary, on a quota basis. By the side of controlled home production quota allocation would be made on imports. The 1933 Act, where there are two District Boards operating, one for marketing a primary product, and the other for marketing a secondary product derived from it, can set up a Development Scheme with wide powers—with Parliament's approval—with provision of a Board of Administration. Such a scheme may regulate not only amounts of the primary product marketed but also the number of factories producing the secondary product. The 1933 Act's operations were to be regulated jointly by the Ministries for Agriculture, Board of Trade, Scotland and the Home Secretary. It also allowed Marketing Boards to negotiate with one another.

Under this legislation there are milk marketing schemes in Great Britain. The Milk Reorganisation Commission reported in February, 1933, and drew up a scheme for regulating milk marketing, under the 1931 Act, in England and Wales. It advocated a pooling type of scheme for production. In addition to a Central Producers' Board to control the flow of milk supplies

and assume the legal ownership and become a technical party to all sales of milk sold off farms other than that sold by producer-retailers, it advocated a Central Dairymen's and Manufacturers' Board, equal in strength to the Central Producers' Board, and a Joint Milk Council, comprising the members of the former Boards, plus three independent appointed members, to fix contract prices of milk for liquid consumption and manufacture. Such a scheme, involving a Board of Control, of registered producers, was accepted, after obtaining a big favourable majority of milk producers, and approval by Parliament, for one year, from 6th October, 1933.[1] The Board comprises one representative from each of eleven regions of England and Wales and two representatives of the north-western region, plus three special members elected by the registered producers of the country and two members appointed by the Minister of Agriculture. Under the scheme milk can only be sold by wholesale under a contract provided by the Board. Milk contract terms are prescribed by the Board after its consultation (a statutory obligation) of representatives of the milk distributive trade and the milk manufacturers, with provision for reference to a Committee of Investigation, and, finally, the Minister of Agriculture. Five schemes have been prepared for Scotland and one is in operation, in Scotland south of the Grampians. A Government Milk Marketing Commission is studying the co-ordination of the country's marketing schemes, to prevent competition between the Marketing Boards.

Reorganisation Commissions have been set up under the 1931 Act to prepare schemes for marketing eggs and poultry and fat stock, in England and Scotland respectively. The former reported on 17th December, 1935.[2]

[1] In August, 1935, a ballot of milk producers, taken on a ballot of registered growers, resulted in over 80 per cent of the latter voting for the scheme's continuance

[2] In April, 1936, a scheme, based on the Reorganisation Commission's scheme, drafted by a joint committee of the National Farmers' Union and the National Poultry Council was being sent to branches and constituent bodies of these two organisations.

There are Marketing Boards for Pigs (dating from 1933)[1] and Bacon. In connection with this scheme a Bacon Development Scheme, controlling production by licences (related to efficiency) has been approved.[2] The Bacon Board licenses all new construction or extension of factories.

A Hops Marketing Scheme, with a Marketing Board, dates from September, 1932. It was the first to operate under the Act.

A 1932 Wheat Act secured to growers of British millable wheat a standard price (fixed by the Minister) and a market therefor. Millers and importers of flour had to make payments calculated by reference to a quota of such wheat; and had to purchase unsold stocks of such wheat. Growers would receive from the Wheat Commission certain "deficiency payments" in respect of any difference found in any year between the ascertained average price (prescribed by the Minister, as soon as possible at the end of each cereal year, as the average price obtained by registered growers) and the standard price (amounts of wheat in respect of which growers would be entitled to receive such payments being related to the "anticipated supply" of home-grown wheat in any year, which the Minister estimates will be sold by registered growers in that year). The Wheat Commission created, comprises a Chairman and Vice-Chairman, plus seventeen other members, representing growers, flour millers and importers, dealers in home-grown wheat and consumers (including bakers)—after consultation with representative bodies. If a Board were established to regulate marketing of home-grown wheat under the 1931 Agricultural Marketing Act, the Minister, after consultation with the Wheat Commission, could transfer functions of the latter relating to registered growers to that Board. The Commission handles the Wheat Fund. A Flour Millers' Corporation was formed, comprising

[1] In March, 1936, the Pig Marketing Board decided to set up regional committees, linking it and pig producers

[2] *The Times*, 12.8 35.

a Chairman, and four other persons, appointed by the Minister, representing millers' interests. It must arrange for millers to be registered, control the Millers' Quota Fund and handle purchase and sale or disposal of wheat stocks. The quota payment made by millers and importers to the Wheat Commission commutes the cost of an obligation to buy a quota of home-grown wheat at an enhanced price for its estimated equivalent in cash. These quota payments, accumulated, form the fund necessary to enable growers to get the standard price. Every registered grower is entitled to get a deficiency payment at the end of each cereal year—and the Wheat Commission can advance payments which may become due in respect thereof. Deficiency payments must be made on the strength of certified sales, and "wheat certificates". Growers sell wheat for what they can get—and get the best price for the best wheat. The Government imposed a limit in each cereal year on the total amount of wheat in respect of which deficiency payments might be paid to registered growers. The Minister was to prescribe the amount of home-grown wheat which he thought would be sold by growers during the year; which would be the maximum for which deficiency payments were provided by the Wheat Commission by collecting quota payments from millers and importers of flour. If growers marketed a larger amount of certified millable wheat the result would be that deficiency payments would undergo a reduction proportionate to the excess of actual sales over the anticipated supplies. The Wheat Commission could ask the Minister to require the Flour Millers' Corporation to buy any unsold stocks (on the basis of specified prices)—up to a certain percentage of the anticipated supply for that year. The Government also prescribed a maximum limit for the quantity that the Minister might prescribe as the anticipated supply in any year.

Sir John Orr, of the Rowlett Institute of Aberdeen, urged State planning of agriculture, at the combined meeting of the Economics and Physiology Sections of

the British Association, on 10th September, 1935. He wanted to turn Marketing Boards into Public Utility Companies to run the processing centres—slaughter-houses, bacon factories, and milk depots, letting the Boards buy from farmers and sell to the distributing trades. Such organisation of distribution would, together with a State subsidy in the interests of public health, lower retail prices.[1] There have been proposals for the setting up of Import Boards for Foodstuffs and Raw Materials,[2] responsible to a Minister and to Parliament, in order to steady prices and stabilise supply.

A 1930 Act enabled the Air Minister to make subsidy agreements up to 1939. A new Air Navigation Bill, January, 1936, envisaged long-term subsidy agreements with Air Transport undertakings at a rate up to £1½ million per annum, up to 1953 (subject to the annual House of Commons vote);[3] and the creation of an Aviation Board to control private aircraft, and the smaller type of commercial aircraft. It also enabled a licensing system for air transport services to be introduced when thought fit. The Air Ministry would continue to control larger aircraft. In October, 1935, the Government declared that Imperial Airways would remain its chosen instrument for operating and developing trunk Empire air routes.[4]

In various quarters[5] proposals have been made for national control of the Bank of England, involving the appointment of the Governor and Deputy Governor by

[1] *The Times*, 11 9 35.

[2] See, for example, *Political Quarterly*, April–June, 1931, pp 186–203, and a series of I L P and Labour Party proposals, e g. *A Socialist Policy for Agriculture*, 1924, and *Labour's Policy for Agriculture*, 1926

[3] In extension of the limit of £1 million over a period up to 31st December, 1940, under the Air Transport (Subsidy Agreement) Act, 1930. This Bill also facilitated compulsory acquisition of land by local authorities for the building of aerodromes The Second Reading was passed on 30th March, 1936

[4] In the House of Commons, on 17th March, 1936, the Under-Secretary for Air stated that a new Empire Air Transport Scheme would shortly be introduced

[5] For example, in *The Next Five Years* (a Memorandum by about 150 leading British citizens of all parties), London, 1935, and by the "Council of Action"

Government consent, from a panel submitted by the Court of Directors, and the creation of an Advisory Council representing industry, commerce, commercial banking, labour and economic science; the Governor being forced to accept the long-term currency and credit policy of the Government, without the latter's interference in day-to-day administration.[1] It has also been suggested that the Joint Stock Banks should be given public utility status; with the limitation of their profits, and their being brought under State control and review, under the supervision of a Permanent Banking Commission.

The Exchange Equalisation Account was started by the Government, in July, 1932, to smooth out fluctuations in the exchange value of the pound sterling and to look after foreign funds deposited in London. The Government preferred that it, rather than the Bank of England, should shoulder the risk of fluctuations on foreign currencies. The Account's resources were Treasury Bills for £175 million which were credited and passed to it. It is managed by the Treasury officially, but in practice by the Bank of England.

Control of investment and credit by a National Board has been suggested in various quarters.[2] In April, 1936, a Committee was appointed to advise the Chancellor of the Exchequer regarding the embargo on foreign capital resources.

In 1935, the Government promoted a scheme for continuing the Beet Sugar industry subsidy, on condition that the fifteen factory companies were amalgamated and made into a single public utility corporation, owned

[1] An alternative method of national control, with the retention of private ownership, would be the public appointment of officials as in the case of the London Passenger Transport Board, or a mixed undertaking, with State control of broad policy (not day-to-day) and maximum dividends State purchase also might be envisaged.

[2] For example, by the Labour Party, at its 1932 Conference, by Sir A. Salter in a broadcast lecture in 1934, in the "Poverty and Plenty" Series, and in the Massey Lecture at McGill University, in a lecture on "The Effects upon the Structure of Society of Modern Mechanisation", *The Times*, April, 1933, and in *The Next Five Years*.

by the companies but subjected to extensive control and profit limitation; that low-cost factories carried high-cost factories; that assistance was limited to a fixed maximum total production; and that refiners contributed considerably to the industry's continuation.

An independent Sugar Commission, representing growers and consumers, was to be appointed to execute such powers in relation to the industry as would be necessary to carry out the Government's policy. It should approve the amalgamation scheme for submission to the Government (which would be aided by an informal tribunal); and it would regulate the contraction of acreage under production, and prices, approve fresh issues of capital and arbitrate on the price at which the Corporation would take beet from the Sugar Beet Marketing Board or other body representing farmers, etc. The Government intended to invite the Sugar-Producing Dominions and Colonies to consider reopening jointly negotiations for international agreement on the industry. The Sugar Industry Reorganisation Bill, to the above effect, providing for the creation of the British Sugar Corporation Limited (if not voluntarily, in accordance with a compulsory scheme prepared by the Minister), with the Chairman and two of its members appointed by the Government, and of the Sugar Commission, supervising this Corporation and its relation with importing refiners, passed its Second Reading, in the House of Commons, on 10th February, 1936.[1] Originally a Committee was envisaged, representing consumers, trades using sugar in manufacturing processes and retail and wholesale distributors, to protect the public against exploitation.

The Cable and Wireless Limited is a private concern over which the Government exercises a control. It approves the appointment of two Directors; and it is stipulated that 50 per cent of excess profits above a certain figure must be applied to the reduction of rates or as an Advisory Committee representing various Governments participating in the Imperial Wireless Cable

[1] And its Third Reading on 7th April, 1936

Conference, 1928, may approve. Cable and Wireless Holding (Limited) has two Directors approved by the British Government. It guarantees to the Government fulfilment of certain obligations by Cable and Wireless Limited.

Under the 1926 Act, total or partial amalgamation and absorption schemes could be prepared for the Coal [1] Industry and the Board of Trade could be asked for approval. The Board of Trade, if satisfied, might refer a scheme to the Railway and Canal Commission; for confirmation, with or without modification, or it might reject it. Owners could submit to the Board of Trade a scheme even if an owner refused to come into it. Under the 1930 Act (Part I), with the approval of the Board of Trade, a central scheme for the regulation of the production, supply and sale of coal, administered by a Central Council (representing owners), together with a district scheme for every district, administered by an Executive Board, could be brought into operation. The central scheme would arrange for the Central Council to allocate a maximum output for each district; and a district scheme would provide for the determination of the proportion of the standard tonnage which each mine would be allowed to produce, and for the minimum price at which coal should be sold in the district. Originally this Part of the 1930 Act was only to last for two years, unless otherwise determined by Parliament. In 1932, it was extended for five years. Part II of the 1930 Act provided that a Coal Mines Reorganisation Commission should be formed, of five Commissioners appointed by the Board of Trade, to further reorganisation of the industry and to promote and assist amalgamations, if necessary by compulsion—and with reference to the Board of Trade and the Railway and Canal Commission.[2]

[1] For an account of previous legislation, or proposals therefor, providing for State intervention in the coal industry, see my article on "Coal-Mines and the State in Great Britain", *Annals of Collective Economy*, January–March, 1927.

[2] This carried a stage farther the provision—in Section 22 of the 1920 Mining Industry Act and other legislation—already made for the Govern-

The Central and District Schemes of Output and Price Regulation were amended in 1934. When the industry failed to get adequate support for the voluntary amendment of the original Regulation Scheme created in 1930 under Part I of the 1930 Act, to remove certain defects the Government produced a Bill to remove restrictions on production of coal for export and to co-ordinate district schedules of minimum prices. The Government Bill proposed that there should be a separate determination of quotas for inland and export trades, and the endowment of the Central Council with statutory powers to readjust on a relative economic basis the minimum prices of the various districts. The Bill was withdrawn on assurances being given by the industry of voluntary provision for these amendments, which operated from 1st January, 1935. Under the new arrangements each district was given allocations for inland supply and export supply, as well as for production; and the Central Council could intervene at the request of any aggrieved district; and there was inter-district co-ordination of minimum prices, as from 1st January, 1935. The regulation of prices was added to the functions of district Executive Boards early in 1935. In November, 1935, the Government received a comprehensive undertaking that an organisation for the complete and effective control of the sale of coal would be set up in each district, with co-ordination between districts through the owners' Central Council.[1] The Government insisted that such schemes must cover all owners in each district and have a measure of permanence, must effectually prevent inter-colliery competition

ment, in certain circumstances, to set up a Committee to prepare schemes of amalgamation An account of the work of the Railway and Canal Commission is given in Chapter VIII, pp 405–7.

[1] The owners' Central Council assured the Government that these schemes would operate by 1st July, 1936 Later the Government agreed to a postponement till 1st August, 1936 District schemes will be laid on the table of both Houses of Parliament in time to become operative by that date (they become effective unless vetoed by a resolution of either House) The central co-ordinating scheme needs an affirmative resolution of both Houses It is delayed, as the inland coalfields do not accept the resumed invasion of the home market by the exporting areas

and must prevent evasions. Such a Central Selling organisation began to operate in the Lancashire and Cheshire coalfields in July, 1935. It provided for sale to an Executive Board established under Part I of the 1930 Act, called Lancashire Associated Collieries. Production would continue to be regulated by standard tonnage and quota arrangements. The Board must accept from each undertaking an output equal to sales in 1934 or compensate it for the unwanted surplus; and an undertaking receiving orders for more than the amount of 1934 sales must pay a contribution to the Board. There was to be an upward and downward limit to output acceptable from any undertaking. The Board controls distribution and transport arrangements and fixes quality standards in production. Each class of coal has one minimum price. A successful experiment with uniform prices in one area is being extended.[1]

On 18th May, 1936, a Government Coal Mines Bill was introduced into the House of Commons. Part I extended the operation of the 1930 Act, Part I (already extended in 1932, till 1937) till 1942, to enable the district and central organised selling schemes, which were being prepared, to get to work properly. Part II dealt with amalgamations, to overcome the difficulties experienced by the Reorganisation Commission in its relations with the Railway and Canal Commission.[2] It stated that the Reorganisation Commission, subject to the Board of Trade's approval, was the proper body to determine what amalgamations were in the national interest; and sought to make its powers effective. Parliament would decide what amalgamations should be made; and the new procedure would be: (1) a Reorganisation Commission proposal for amalgamation of certain undertakings; (2) an independent inquiry and report to the Board of Trade and Parliament; (3) the laying of the draft schemes on the table of both Houses of Parliament

[1] See Coal-Mines Department report on the working of output, regulation and marketing schemes under the 1930 Act, Part I

[2] See pp. 405–7.

—they will be effective unless vetoed by a resolution of either House; (4) [1] the drafting of terms of amalgamation; and (5) a right of appeal to the High Court against the proposed terms. The Government proposed, however, to postpone compulsory powers till 1st July, 1938, to afford a last chance of voluntary amalgamation and to see what central selling schemes would achieve; and to secure that coal-mines now ancillary to undertakings not primarily engaged in production or treatment of coal could not be included in any compulsory amalgamation schemes. Meanwhile the Reorganisation Commission would be expected to continue its preparations for submitting amalgamation schemes to Parliament. Provision was made in the Bill for the withdrawal of schemes up to the last moment in favour of voluntary amalgamations. The Bill was necessary to give full effect to the intentions of the 1930 Act, Part II.

Part I of the 1930 Act was the basis of control of production, and of the central selling schemes now being organised. In future, then, all productive and selling arrangements would have a statutory basis—which would give such a basis to that part of the industry's structure as did not conform voluntarily to the structure envisaged by the Bill. When Parliament has approved the coal selling Orders the industry will have complete machinery for regulating output and controlling prices in the home market and British tenders in foreign markets.[2]

In 1935, the Government announced that coal-mining royalties would be bought by the State and unified, with control of development in a single body.

A report on National Coal Policy was published by

[1] At this point the desirability of amalgamation will have been decided; the succeeding preparation of the "participation scheme" will determine the conditions of amalgamation

[2] "These things it will be able to do with powers conferred by Parliament, and, indeed, a large part of the present-day value of the industry's goodwill must be ascribed to Parliament's action . In fact, Parliament has protected the industry against itself—against the disastrous competition which threatened to overwhelm all undertakings, the old and the modern, the thoroughly efficient and the less technically efficient" (*The Times*, 18 5 36, leading article).

P.E.P.,[1] in February 1936, advocating, *inter alia*, beyond central selling organisations and elimination of inter-district competition, a stronger Reorganisation Commission, a Coal Export Association to control sales abroad and prepare for participation in an international cartel, reorganisation of distribution for the home market, and administration of nationalised royalties by the Reorganisation Commission. Also it advocated a revision of the quota scheme of the 1930 Act, Part I.[2]

The 1935 Cotton Spinning Industry Bill provided for a measure of Government control of this industry.[3] The General Council of the Trades Union Congress plan for controlling the cotton industry, put forward in 1935, suggested a Cotton Control Board, of fifteen members, appointed by the President of the Board of Trade, on grounds of ability. The spinning, manufacturing and finishing sections would have four each (in each case two appointed after consulting employers' organisations and two after consulting the workers' organisations) and there would be three marketing experts. The Board would license firms and companies and plan reorganisation and rationalisation on a compulsory basis. There would be Regional Boards; and Works Councils should be consulted regarding certain appointments thereto.[4]

State control of electricity is indicated in the previous section.[5]

[1] An organisation engaged in studying political-economic planning, 16 Queen Anne's Gate, S W 1

[2] By the reduction and final elimination of quota allotted to non-producing pits, or by making quota unsaleable, except by acquisition of all assets of collieries to which they are attached, so as to facilitate permanent amalgamations and closing of redundant pits Cf a letter to *The Times*, 19 12 35, by the President, Conjoint Conference of Public Utility Associations, Lord Mount Temple, supporting this "P E P." point of view—also advocated by Sir E Gowers, Chairman, Reorganisation Commission, and Mr Malcolm Stewart, Commissioner for Special Areas He wanted adjustment of production to demand by concentrating production in selected pits and closing others.

[3] See Chapter VIII, pp 412–16.

[4] *The Times*, 27 5 35 On 4th October, 1936, the Labour Party's Annual Conference adopted a similar plan for socialisation of the cotton industry

[5] See pp 207–10 For an account of previous legislation, or proposals therefor, providing for State intervention in this industry, see my article, "Electricity and the State in Great Britain", *Annals of Collective Economy*, August–October, 1927

Following on the 1934 Report of the Sea Fish Commission in January, 1935,[1] the Government introduced a Herring Bill for reorganising and developing the industry. It proposed a Herring Board, instructed to prepare a detailed plan of reorganisation and equipped with wide powers. It will comprise an independent Chairman, two other independent members and five persons with experience of the industry; all members being nominated by the Ministries concerned (Agriculture, Scotland and Home Secretary). It will consider whether after two years there cannot be a means of electing the Board to make it more responsible to the industry. The Board would report annually to Parliament. The Board's scheme would have to be approved by Parliament. The Consumers' Committee set up under the 1931 Agricultural Marketing Act can report to the Minister on the Board's operation. The Board will control the processing and distributive sides of the industry. Government financial help was adumbrated. The Board could curtail the number engaged in the industry and scrap redundant boats (with compensation). All herring boats will be licensed (licences being related to efficiency). The Whaling Industry (Regulation) Act, 1934, controlled this industry by a system of licences, and provided conditions for the taking of whales and the elimination of waste, and stipulated that they should not be taken during certain seasons.

[1] See also *Second Report of Sea-Fish Commission* (set up under the Sea Fishing Industry Act, 1933), Cmd 5130, 1936—dealing with conditions in the white fish industry It made proposals for orderly self-government within it—in the distributive as well as in the productive sections A Fish Industry Development Commission, independent of the industry, should, *inter alia*, register units operating in each section of the industry, license port wholesalers, and, in certain cases, fishing vessels; promote development of organisation in the industry, and approve registered units' organisations, sectional, local or national, consider and approve schemes for better development and regulation of the industry, approved by substantial majorities; and initiate such schemes Also the industry should set up a Central Board, representing trawler owners, port and inland wholesalers, retailers (fishmongers and fish-friers), nominated by their respective national federations, with a neutral chairman appointed after consulting the above Commission; which should recognise it as the organisation representing the industry as a whole. It should, *inter alia*, be responsible for the industry's market development and publicity work

The Minister of Transport appoints four nominated members to the Mersey Docks and Harbours Board: twenty-four members are elected by dock electors.

The Amulree Committee, in 1934, advised the Government to set up a National Housing Commission to plan housing in co-operation with statutory planning authorities. It should be under the Minister of Health, be responsible to Parliament through him and be national in scope and status, being comparable to the Central Electricity Board. A motion to create such a Commission was moved in the House of Lords on 18th July, 1934. The Committee of Slum Clearance and Replanning of the Royal Institute of British Architects, in 1934 advocated the creation of a national executive authority to plan on a national scale and arrange for the zoning of areas and control of the establishment or transfer of industries thereto. In November, 1935, the Minister of Health appointed a Central Housing Advisory Committee under the new Housing Act to advise him and local House Management Commissioners.

A 1934 Act provided for control over the development of petroleum. Property in petroleum in natural conditions in strata was vested in the Crown. Licences could be granted for boring, etc. (on payment of a consideration, and on terms) by the Board of Trade.

Regulation of Public Utility Companies has occurred through limitation of profits, as in the case of the former Broadcasting Company, of which the dividend was fixed at 7½ per cent, and in the gas industry. The notion of a public utility concern has been emphasised in a recent report[1]; which urges that the Board of Trade should be able to schedule as such any industry of sufficient public importance. Such enterprises as electricity, railways, insurance, Joint Stock Banks, should be treated thus; and there should be full publicity regarding their operations and accounts, limitation of profits and approval of charges.

The Government controls transport to an important

[1] *The Next Five Years*

degree. It controls the railways[1] through the 1921 Act, enjoining compulsory unification and providing for the control of rates and fares, which had to be related to a definite principle. Provision also was made for a Railway Rates Tribunal to exercise functions in regard to settling rates and fares. This Tribunal comprised three permanent members appointed by the Government and two panels, totalling forty-eight members—appointed by Ministers of State, to represent trading interests, passengers, labour, and agricultural interests—from which extra members could be drawn for particular cases. Under the Government's Derating scheme it administers the Freight Rebates Fund, whereby certain railway rates' payments are pooled and used to benefit export coal and coal used in heavy industries (70 per cent), agricultural traffic (20 per cent) and miscellaneous industrial traffic (10 per cent). Through the Traffic Commissioners, road passenger services and haulage throughout the country are subject to a limited control. The Road Traffic Act, 1930, appointed area Traffic Commissioners, under the Transport Minister, in whom are vested the licensing of public service vehicles (motor-omnibuses and motor-coaches), and of their drivers and conductors, and the control of road passenger services. Under the Road and Rail Traffic Act, 1933, goods motor vehicles are licensed. The Traffic Area Licensing authority is the Chairman of the above Traffic Commissioners.

Control of the utilisation of water resources by a National Water Commission—with regional Water Boards controlling local water supply—appointed by the Minister of Health, was suggested by the National Labour Party Executive to the 1934 Annual Conference of this Party.

A 1931 Bill introduced into the House of Commons proposed to set up a Consumers' Council of seven per-

[1] For an account of previous State intervention in this industry, and proposals therefor, see my article, "British Railways and the State", *Annals of Collective Economy*, April–June, 1926

sons (including two women). It was to report to the Board of Trade if it thought that an excessive price was being charged for a commodity, and suggest a reasonable price. The Board of Trade was to be authorised to insist on the observance of such a price.

Attention already has been directed to Government measures to prevent profiteering in the making of implements and munitions of war.[1]

The application of national control to industrial and economic activity in the depressed areas has been urged on all hands[2]; for example, under such forms as: submission of schemes to a Reorganisation Commission; State imposition of schemes and appointment of Social Boards; Government licensing of sites for new factories and formation of a Regional Development Trust, to finance small industries, aided by a Government Guarantee, also of capital subscribed, and Government nomination of some directors.[3] In the spring of 1934, the Government appointed investigators to study the problem of these areas[4]; and in the autumn of 1934 appointed Commissioners to initiate, organise and prosecute measures for economic and social improvement. The Second Report of the Commissioner for special areas (England and Wales)[5] showed that, generally, he could only operate through existing authorities, though these special non-profit-making organisations had been created: (1) North-Eastern Housing Association (November, 1935) to co-operate with local authorities in building and letting houses, under the 1930 and 1935 Acts, to relieve slums or overcrowding; (2) Welsh Land Development Society, beginning its work by promoting a Co-operative Land Settlement; and (3) North-East Trading Estates

[1] See Chapter II, pp 5–6.

[2] Cf. *The Times*, 16 10 35, leading article, urging, on behalf of opposing schools of political thought, ready to co-operate on this matter, a concerted national policy, of speedy action directed by the Government

[3] Cf *South Wales Needs a Plan*, by H A. Marquand, London, 1936.

[4] See their *Reports*, Cmd 4728, 1934 (August), particularly that by Capt. D Euan Wallace, M.P.

[5] Cmd 5090, February, 1936.

Limited, to provide facilities of all kinds to induce industrialists to start new enterprises there, and build and lease factories with capital from the Special Areas Fund.[1] This Report asked for a Special Fund to promote new industries and aid public utility works. The Government has just introduced a Bill to create a special company to aid financially small businesses in these areas; with a State guarantee of £1 million capital and Treasury approval of its flotation and appointments to the Board. It would be limited to 10 years: there would be local Boards.

A National Development Board has been advocated to work under a Government Planning Committee and collaborate with an Economic General Staff and a National Housing Commission for a long-range plan of national development and public works.

In 1929, the Northern Ireland Government introduced regulation of road passenger vehicles to mitigate competition with railways. In July, 1934, this Government accepted a proposal by the former General Manager of the Great Western Railway for compulsory co-ordination of road and rail transport[2]; by consolidation of all road transport concerns under a single Road Transport Board and the pooling of the Board's receipts with those of railway companies on the principle of the London Passenger Transport Act, 1933, the pool to be administered by a Standing Joint Committee with the duty of co-ordinating services, rates and conditions of transport, subject to the jurisdiction of an appeal Tribunal. The Belfast Corporation tram and bus services were invited to join the scheme. Railway companies were invited to extend their interest in road transport by investing in the capital of the Board. Parliament passed this Bill in August, 1935.[3]

[1] A similar company was envisaged for South Wales

[2] His desire to create a Transport Board to acquire all transport organisations by means of an issue of stock in exchange for securities of railway and road companies was frustrated, he said, because six railways operate partly in the Irish Free State and there are seven Customs' Stations.

[3] See *The Times*, 8 8 35, leading article.

Australia

The Federal Government, in 1930, submitted to a Conference of Federal and State Ministers and Growers a plan for a compulsory pool for bulk handling of wheat —with State Boards (elected by growers) and a Commonwealth Board; and with a guaranteed price to growers. In October, 1935, a Conference of Commonwealth and State Ministers and Meat Industry representatives approved the formation of a Meat Export Control Board, to regulate shipments and co-operate with the projected Empire Meat Council. A 1927 Act provided for Federal regulation of export of ocean pearl-shell. A Control Board was to be created, of a Chairman appointed by the Government and two members chosen by the producers; and with a London Agency to inform the Board about prices. Exports must be licensed, and on stated terms. Only contracts approved by the Board would be allowed as existing contracts expire. Handling, marketing, storing, etc., and selling arrangements, would be fully controlled by the Board. The Act was repealed in 1934.

During the Great War there were compulsory State co-operatives for wheat producers, with a central Australian Wheat Board, comprising Ministerial representatives of the Commonwealth and State Governments, and one representative of growers from each State; aided by an Advisory Board, of wheat shippers, and a London Wheat Committee; and with a local Board or Commission directing the scheme's operations in each State. In more recent years several States have controlled marketing of some or all of the primary products, butter, eggs, pigs, cheese, wheat, sugar, fruit and cotton; legislation enabling a majority of producers of any of these commodities to run compulsory co-operative marketing schemes through an elected body of growers, under State control, and with a certain price control. The most highly-organised scheme now operates in Queensland: there are Marketing Boards, a Director of Marketing and a Council of Agriculture. Under the Primary

Producers' Organisation and Marketing Acts, 1926–35, the Governor can decide that any agricultural product shall be marketed by a collective organisation; the Commodity being vested in the Board. If 50 growers demand a referendum, a three-fifths majority is needed to enforce a scheme. Local Producers' Associations assist Boards. Marketing Boards exist for sixteen of the main agricultural products. These Boards may export. In New South Wales, a similar system operated under a 1927 Act, including wheat and maize.

The Federal Government has controlled dairy product exports by a Commission representing itself, States, co-operatives, and selling agents, with a London agency. This Federal Committee has regulated butter prices, to avoid competition between the States and to develop exports. Federal Commissions representing producers (co-operative and private), the Federal Government, exporters and business experts, according to circumstances, under Government control, have controlled, also, exports of dried fruits and meat. The Federal Government has undertaken control of sugar exports and prices. The Queensland Government controls petroleum, helium and mining by means of concessions; ownership being completely vested in the Crown. During the war it controlled meat supply. The Government has taken special steps to control production and export of sugar. It bought and operated sugar refineries and, in 1923, made arrangements with private refineries. From time to time it has resorted to price control to prevent profiteering. A 1920 Act provided for the appointment of a Commissioner of Prices with power over Trusts. A 1934 Coal Production Regulation Bill provided for a Central Coal Scheme, administered by a Central Coal Board, and District Coal Schemes, administered by District Coal Boards; all schemes being approved by the Government and by at least 75 per cent of owners' votes. The Central Board of five members would comprise the Commissioner of Prices (Chairman), two representatives of owners, one of Government collieries and one workers'

representative. It would control the scheme and license owners. A District Scheme could decide the quota of output from each mine and the minimum selling price.

The New South Wales Government decided recently to form a public utility Corporation to take over control of the trams and bus services of Sydney. It would be free from direct Government direction, except regarding increases in fares or the conduct of developmental services, and would be managed by the best business ability. If private capital were available for conducting these services the Government would allow it to run them, if it were satisfied that the community's needs would be met; taking, however, proper safeguards as to fares, freights, developmental routes and co-ordination with underground and suburban railways. In 1920, in New South Wales, as in Victoria, an Anti-profiteering Act was passed.

The South Australian Government, in 1924, created a special Commission representing, *inter alia*, the Government and producers, to regulate the sale of dried fruits. A 1930 Sandalwood Bill was designed to invest the South Australian Government with power to control the output of sandalwood: the Bill was introduced as the result of an agreement between the South Australian and Western Australian Governments, whereby they had mutually agreed to co-operate in restricting the output of sandalwood from both States so as to maintain remunerative prices for this commodity. Both States are interested in this trade. South Australia gets considerable revenue from royalties on sandalwood pulled from Crown lands. Western Australia also gets such revenue and moreover has guaranteed the overdraft of the local sandalwood company up to a given figure. South Australia could collect from Crown lands, including pastoral leases, but could not control that from private land. In February, 1928, these two Governments agreed to limit total output from Crown lands in both States for three years, and fixed upon figures for the royalty per pound

to be taken by the respective Governments. The total shipment from the local Western Australian Company was limited. In August, 1929, the Governments agreed to reduce the total output for two years. The aim was to control and to restrict output from private, and not only from Crown lands. In 1930, the South Australian Government agreed with the Western Australian Government to take action on the lines of the 1929 Western Australian Act, and to introduce a Bill to limit output from private property as well as from Crown property, for four years, 1930–4, if the Western Australian Government would extend its Act to 1934. Both States would limit output. Under this Bill the South Australian Government by proclamation could fix the maximum amount to be cut, pulled, or taken from any land in the State—thus going beyond the provision in the Crown Lands Act enabling the Government to require a licence from anyone wishing to cut sandalwood from Crown lands. Under the new Bill every person must have a licence to cut from private or Crown lands and pay a suitable fee: any cut by a person without a licence becomes Crown property. Licences for private lands could not authorise the taking from private lands of over 10 per cent of the total fixed for the State. These very wide powers to control the industry were found absolutely necessary to protect it.

In order to help to start the export of fat lambs from Tasmania to London, in 1930 the Tasmanian Parliament passed legislation to set up a Meat Board to control the business.

The Australian States exercise control over the use of land and have expropriated large areas to help small producers and ex-soldiers. They also control the use of water power. In 1919, Victoria created a State Electricity Commission to plan the development and use of electricity.

Canada

The Canadian Banks have to operate under the Finance

Act, which is managed by a Treasury Board.[1] On 14th March, 1936, the Finance Minister gave notice of a resolution to amend the Bank of Canada Act so that he could buy enough shares to ensure a Government majority ownership and so that Government voting control could be secured in the Board of Directors. The Bank of Canada, incorporated in July, 1934, began operations in March, 1935. The Government appointed the Governor and Deputy Governor, the Deputy Minister of Finance being a non-voting ex-officio member of the Board of Directors, and the first Directors being chosen to represent industrial and trading interests. No Board resolution could be effective without Government concurrence. The Canadian Broadcasting Commission exercises a certain control over broadcasting.[2] Licences are given to privately-owned stations, which are restricted. In June, 1935, the Prime Minister introduced into the House of Commons a Bill to establish a Grain Board to undertake the orderly marketing of wheat in the inter-provincial export trade. The Board would comprise three persons and the Government could nominate an Advisory Committee of seven to assist it, containing four representatives of wheat producers. The Board would buy and sell wheat and acquire it, on approved terms, from the Wheat Pool organisations' central selling agency, and run operators. It should take over wheat stocks. The Board was given similar powers in regard to oats, barley, rye and flax produced in the Western Provinces. It would be under Government supervision regarding both policy and operations. Federal and Provincial Governments control exploitation of water-power resources, controlling rates and preventing wasteful duplication of plants. Lessees are licensed for

[1] Sir Charles Addis, a British member of the Canadian Royal Commission on Banking, in September, 1933, condemned a Canadian Bankers' proposal to replace this Board by an Administrative Board of financial and currency experts as being calculated to remove control.

[2] See *The Times*, 22 8 33; Mr Gladstone Murray's Report to the Canadian Prime Minister, which emphasises the importance of a public Broadcasting Service, run independently of the State, though with adequate State control.

definite periods, preference being given to municipalities and other public authorities. To stimulate home manufacture the Government has imposed limitation of pulpwood exports; and British Columbia, Ontario and other provinces have also limited timber exports. Many restrictions on pulpwood and certain other woods are imposed by the Federal Government. Provincial Governments, rather than the Federal Government, mainly apply restrictions—and also to Crown lands (the vast bulk of total pulpwood area). Pulpwood export from public lands in Manitoba, British Columbia, Saskatchewan and Alberta is prevented by the Dominion Government: it can stop all manufactured timber exports from public and private lands, though it has not applied this power. Provinces restrict pulpwood only or pulp in addition, and occasionally other woods. Where they control Crown lands they put an embargo on exports of pulpwood therefrom, hardwoods also being prohibited by Ontario. Other logs and shingle bolts from Crown lands also are prohibited by British Columbia. Usually, apart from New Brunswick and British Columbia, manufacture must occur somewhere within the Dominion. Pulp is also restricted by Ontario. Wood must be turned into paper before exporting, by a clause inserted by the Minister of Lands and Forests in all licence contracts made with companies. Sale may occur, of course, to Canadian paper mills. Restriction has been continued since 1891, when British Columbia enacted prohibition of export of unmanufactured timber from Crown lands. In 1900, Ontario acted likewise regarding pine logs, and in 1902 regarding pulpwood. Exported unmanufactured timber from some private lands was taxed by British Columbia in 1906. An embargo was put by the Federal Government, in 1908, on pulpwood from its Prairie Provinces and British Columbia lands. Export of pulpwood from Crown lands was stopped by Quebec and New Brunswick, in 1910 and 1911 respectively. As stated, the Federal Government, in 1923, was authorised to limit export from private lands. Export

of hardwood logs from Crown lands was stopped by Ontario in 1925, and a 1926 law, operative in 1927, made a Nova Scotia embargo on pulpwood. The American paper industry has been hit hard.

The Barlow Report, in January, 1936, advised the Alberta Government to control future mining operations. In April, 1936, legislation provided for industrial "Codes" covering many branches of trade and industry in Alberta.

A 1934 Saskatchewan Act provided for control of the coal industry by means of licences and minimum price-fixing. Federal legislation regulated the marketing of dried fruits and butter. Elevators are owned and operated by the Government.

India

The Committee on Indian Reserve Bank legislation, in 1933,[1] suggested control of a Reserve Bank by a Board representing Indian economic life as a whole. It provided for the appointment of certain directors by the Governor-in-Council, for the appointment or approval of the Governor by the Governor-in-Council and for a Government share in profits—and also for Government control on some other points. In 1933, a proposal was made for the creation of Provincial Boards of Communication, to advise the Government on all road and rail projects; such Boards would contain representatives of road and rail interests, with provision for arbitration.[2] In February, 1936, the Government promised to create a Ministry of Communications, probably in 1937, to co-ordinate communications. The Bengal Government introduced a scheme for promoting voluntary restriction of the area of jute under cultivation. It appointed a special office to control jute cultivation and to co-ordinate propaganda in each district—which also would have an

[1] *The Times*, 16 8.33

[2] See the report of Government Road Engineer on road and rail competition He advocated tighter public control and urged the limitation of the number of omnibuses on any road and the running by the railways of road motor services

office. It set on foot local committees comprising official and non-official members. In July, 1935, the Government stated that it hoped that this scheme would continue during 1936. During 1935, the Government decreed a reduction by five-sixteenths in the area planted as compared with 1934.

Irish Free State

In 1932, the Government introduced a far-reaching system of price control.[1] There is a Prices Commission of five members (one a woman) appointed by the Minister of Commerce and a Controller of Prices armed with full powers of investigation. Maximum prices can be fixed by the Minister on their report. In December, 1934, the Commission advised State control of wheat purchases. The Government also set up a committee to consider whether there were not too many shops in the country and whether shops should be registered.[2] There is a scheme of Government co-ordination of road transport.

New Zealand

The State controls the use of land and has resumed large areas to help small producers and ex-soldiers. It controls the exploitation of mineral resources through special legislation. Marketing of meat is controlled, following special legislation, by a co-operative producers' marketing organisation, governed by a Commission representing producers, the Government and agents. A similar but tighter control has existed for dairy produce, with a London Commission. Fruit and honey producers also have a similar control: a beginning was made by eliminating exporters. Producers voted before such controls were operative. Kauri gum producers later created such an organisation. A 1914 Act had provided for State purchase and sale of this commodity. An Executive Commission of Agriculture was appointed under a special Act to co-ordinate the work of the Produce Boards and link them with the Government's efforts to

[1] See the *Irish Press*, 2 1.33 and 30.3.33 [2] *The Irish Press*, 8.6 32.

develop trade; with the Minister of Agriculture as statutory Chairman. In October, 1934, the Dairy Commission had reported in favour of reorganisation of internal control of the industry by the creation of a reconstituted Dairy Produce Board, with half its members nominated by the Government, with wide powers over production, manufacture, and marketing and with power to rationalise local butter marketing. It also had advised the appointment of a permanent Commission of Agriculture to advise the Government and co-ordinate the various Produce Boards' activities, and of a rural mortgage corporation. A September, 1935, Dominion Conference of the industry approved a Dairy Produce Board's scheme for a group marketing system for dairy produce on Danish lines, envisaging: the establishment of District group organisations, probably marketing organisations with statutory powers; the grouping of dairy companies' produce in pools, as from 1st August, 1936; the imposition of sales' conditions by the Board; Board regulation of sales abroad to intermittent markets; and development of outside markets and provision of finance for exports. In February, 1936, the Government promised: national control of credit and the general price-level and a Government guarantee of prices in primary industries.[1] The

[1] A 14th May, 1936, Act (Primary Products Marketing), to operate the above guaranteed prices plan, authorised the Government to acquire or control primary produce for internal consumption, and acquire such produce for export A start would be made with dairy produce, including by-products such as pigs and calves, and milk and cream and their products—and, in 1937, meat and wool might be taken over. A Minister of Marketing was provided for, together with a primary products marketing department, to discharge the above functions, of acquisition and marketing After the first year, prices would be fixed, after considering the necessity of maintaining the stability and efficiency of the dairy industry; production costs; producers' standards of living; and estimated marketing costs For the first year they would be fixed after considering prices received in the eight to ten-year period ending on 31st July, 1935 The above Minister could make or approve all future produce shipping contacts. Purchase and sale of dairy produce will be financed through a special account with the Reserve Bank. The wide powers hitherto exercised by the Executive Commission of Agriculture to co-ordinate the operations of the various Produce Boards were transferred to the above Minister To tackle the problem of fluctuating prices abroad, the Government informed Tooley Street (London) merchants that supplies would be

Minister for Industries and Commerce announced a plan for stabilisation of the wheat, flour and bread industries, with a guarantee of wheat prices to the farmer and a fixing of the retail price of bread. Wheat growers, millers and bakers would be represented on a controlling wheat committee: the Distributors' Company handling sale and distribution of flour being abolished. The Minister also announced that the Government had fixed wholesale and retail selling prices of petrol for Wellington City and suburbs—to be followed by similar action elsewhere, if necessary; such action being taken under an existing Act.

South Africa

Compulsory co-operative marketing was provided for by the 1925 Co-operative Societies' Amending Act, whereby the Minister could instruct all producers in a given area to market their products through a co-operative society, when the latter embraced 75 per cent of producers representing 75 per cent of total output; whereupon the Society's rules applied equally to non-members. The aim was to fix and control prices. In 1928, maize producers asked for the application of these regulations to them. There are tobacco and wine price control schemes. In 1930, the Minister of Mines approved an inter-producers' agreement between four Diamond Companies, and a sales' agreement between each of these and the Diamond Syndicate. The agreements limited, proportionately, the amount in value of sales by the four companies, and the sale of such diamonds to the syndicate. The Minister stated that the Union Government, though not a party to the agreements, intended to limit its own sales of diamonds in proportion to those of these four companies. Sales by the Government, other than sales to South African cutters, would be made only to the syndicate. In 1930, under a new

allotted only to those agreeing not to speculate in Dominion dairy exports and to a definite commission on a turnover basis, it was also intended to lower marketing costs by reducing the number of agencies marketing such produce.

agreement with the Government, drastic steps were taken to limit output of diamonds according to a fixed ratio between the mines, the alluvial diggers and the State diamond digging. In May, 1931, the Government announced a further agreement concluded with the industry, with a view to developing the industry and maintaining the quota system. Sales agreements regulated the quantity to be marketed from 1931 to 1934 (December); fixing the amount to be bought by the Diamond Corporation during each half-year, both minimum and maximum. The Minister could cancel the agreement if broken. The Government, in regard to its own diamonds, would not participate in the agreements, but would voluntarily limit its sales in proportion to sales made by the Conference producers. The Corporation took over the purchase from all sources instead of from the Syndicate. Parity of prices was aimed at. A 1933–4 Agreement ensured the sale of output through one channel, prevented production from exceeding demand and removed the danger that the large stock of the Diamond Corporation would be forced on the market. An Association of producers was formed, through which all diamonds would be sold. Members included the Union Government (accepting the limitation of output from Namaqualand). The Government would only proclaim new alluvial fields when not against the general interest of the trade; and when alluvial production assumed abnormally large proportions the Association could buy any excess above what could reasonably be absorbed by the market, thus preventing any danger to stability of prices.

Newfoundland

The Government has imposed restrictions on pulpwood and certain other woods. By a 1916 Act timber from private or public lands must be made into paper or paper pulp, or other saleable products before being exported.

A Salt Codfish Board controls exports; and the

Governor took steps to create a central selling organisation to eliminate price cutting. A Fishery Investigation Commission is studying means of drastic re-organisation of the fishing industry. A Fisheries Board, created in April, 1936, by the Governor-in-Commission, can regulate the catching, curing, processing, grade-packing and exporting of fish, regulate shipments and control all fisheries. It can issue exporting licences, appoint brokers for Newfoundland sellers, and recommend markets to control sales therein. The Codfish Board is subsidiary to it.

East Africa

In Uganda, in 1929, the Government agreed with trading interests on the need to reduce the number of operating cotton ginneries, to provide a guaranteed minimum price for native growers, and to co-ordinate ginning interests in the form of large associations.

Jamaica

Producers of various primary commodities have developed a vigorous co-operative marketing movement; with a certain amount of State aid.

Malta

In September, 1935, a Food Control Board, to stop profiteering, was appointed.

EUROPE

Austria

In 1934, new price control measures were introduced by the Government. On 17th October, 1934, an Act set up the Corporative Organisation of Industry, under the new Constitution, membership of which is voluntary. A Government Department supervises life insurance companies' funds and investments. Following the crash of the Phoenix General Life Insurance Company, in March, 1936, the Government created a premium

reserve fund, supervised by a State Commission, to check values shown in balance-sheets as such reserve. It created a fund, fed by contributions from all insurance concerns, for meeting deficiencies in such reserves in any individual concern. It fixed minimum premiums to avoid cut-throat competition and limited agents' commissions. It reconstructed the above company.

Belgium

In July, 1935, a Government Decree-law instituted control of banks, through a Banking Commission, the President and members whereof would be appointed by the King—some (not themselves bankers) would be nominated by banking establishments as a whole. This Commission would have attested examiners, independent of the State and the banks, to investigate and see that legal provisions imposed on banks were respected. Under a July, 1934, Act the Government obtained emergency powers to fight the depression and execute a plan of economic and financial reorganisation; *inter alia*, to promote the control of industry by co-ordinated trade groups, with coercion of recalcitrant minorities.[1] The Government began with the coal industry. A June, 1934, Bill introduced a scheme for compulsory organisation of coal production, with a central office to control the industry, a National Producers' Council and an Advisory Coal Board. This was not passed; but a National Producers' Council was created in August, 1934. An Act of 7th December, 1934, empowered the Government to impose regulations for the efficient organisation of production, sale, imports, exports and transport of coal in the country. To execute this, on 7th January, 1935, the owners set up a Central Coal Office, as the keystone of the organisation of the industry, in the form of a co-operative society for three years, with rules approved by the Minister of Economic Affairs.

[1] According to the Prime Minister's speech, on 27th November, 1934 See also Chap VIII.

A 15th January, 1935, Order created an Advisory Coal Board, representing Government Departments, owners, workers, coal consumers and other industries. The Government did not need to use its compulsory powers. Under an Order, dated 13th January, 1935, providing for regulation of production and distribution, in general, any group of producers or distributors can compel a minority to accept majority agreements to help the industry or trade.[1] Action has been taken in the cement, hollow glass works and cotton spinning industries. In 1934, the Government provided cheaper credit for industry by dividing banking functions, the resulting deposit bank being strictly controlled; and by the transfer by banks to the National Industrial Credit Bank of sound credits granted, in exchange for National Industrial Credit Bank Bonds guaranteed by the State, which would give them liquid resources to meet calls by depositors or to grant new credits. The National Industrial Credit Bank would continue to grant credit direct without intervention by ordinary banks, and, to enable it to get adequate capital, the State would guarantee securities issued by it. In August, 1935, the Minister for Public Works announced a reconstruction plan for spending over £23¼ million on reconditioning roads, railways and canals, subsidising certain industries, etc. In 1931, the Belgian Government bought excess cotton output in the Belgian Congo.

By a 1935 Legislative Order, price regulation was instituted.

Bulgaria

In January, 1934, the Government set up a monopoly of wheat and rye.

Czechoslovakia

In 1932, the Government created a Grain Board, as a result of an arrangement between various interested

[1] See Chap VIII.

groups such as agricultural co-operative organisations, distributive co-operative societies, licensed traders, millers and undertakings engaged in working up grain and grain products, which bodies were represented on the Board. The Board was authorised to import grain and grain products, ensure an adequate supply of grain for the public, and supervise the prices of home-grown grain, so that they did not exceed a maximum fixed by the Government. In 1933, the Government asked "Central-Kooperativ", the agricultural co-operatives' central organisation, to take the necessary action to stop prices falling on account of a big surplus wheat and rye supply; and it was guaranteed against losses by the State. The business management of the scheme was conducted by an "Intervention Trio", representing this co-operative organisation and the Ministers of Agriculture and Finance. The Co-operative Unions were allowed a credit by the State and were aided by the National Bank. As a result of these preparatory experiences, in 1934 a Government Decree created the Czechoslovakian Grain Company, of which the State reserved the right of supervision and veto through a Government Commissioner appointed by the Finance Minister, through his nominee as Chairman of the Company. Representatives of the Departments of the Ministries of Agriculture, Commerce, Social Welfare, Foreign Affairs and the Interior exercise a certain technical supervision. Its share capital comes from the Agricultural Co-operatives (40 per cent) and the Distributive Co-operatives, millers' organisations and private traders (60 per cent in equal shares). The Board comprises a Chairman, four Vice-Chairmen and sixteen other members. It has the sole right to buy on the home market and to import and export wheat, rye, barley, oats, maize, oil cake, ground wheat and washed and dried beet. It has no State subsidy and no special facilities or advantages. It fixes prices—replacing the Government; both those payable to the farmer and that payable by the consumer. The Government appointed the Director-General of "Kooperativa" as Chairman of

the Company. In 1934 and 1935, the Government enacted legislation to secure the marketing and sale of butter and to regulate the market in milk for retail consumption, with the aid of the Co-operative Dairies. For the former purpose it regulates the production and sale of vegetable fats (margarine), butter imports and internal butter trading. A Cattle Board (through its Dairy Section) has regulated butter imports since 1933. This Board is an incorporated body which gives import licences to firms applying for them; it does not import directly and has no real direct regulating influence on the internal butter market. In 1935, the Government created a Czechoslovakian Cattle Association, to import butter as a monopoly and regulate the internal market in it and other dairy products, comprising the "Centro-Co-op" (Federation of Unions of Co-operative Agricultural Societies), the Central Organisation of Co-operative Unions for Joint Action (to represent consumers), the Union of Cattle Trade Organisations (representing cattle merchants' interests) and the Co-operative Dairies' Trading Companies and the Union of Traders in Dairy Products. It is a limited company, with share capital subscribed by the above bodies, with two independent sections, cattle and dairy. Unlike the Grain Association it will not have a complete monopoly, but only certain monopoly rights, including, exclusive right to import butter, other milk products and eggs, the right to levy taxes placed on imported products, the right to put milk products on the market (itself, or through authorised traders) whenever there is considerable consumption, and the right to fix prices for selling such products, and to buy up dairy and farm butter and eggs, so as to regulate and adjust their sale and prevent wide price fluctuation. In March, 1935, the Government regulated the market in milk for retail consumption (limited to Prague at first), through two Orders and an Act; providing: that no milk can be sold in Prague except from dairies with satisfactory equipment regarding hygiene and efficiency; that dairies are inspected by the

provincial authority; and that milk prices should be fixed. The Government fixes the price of milk on the advice of the provincial Price Boards created in Bohemia, Moravia-Silesia, Slovakia and Carpathian Ruthenia; each Board comprising official representatives of the Departments of Agriculture, Commerce, Interior and Social Welfare, and eight representatives of occupational organisations, four appointed by the Minister of Agriculture and two each by the Ministries of Commerce and Social Welfare. The Act relating to the Milk Price Equalisation Fund, in order to keep up the price of milk, provided that the proceeds of taxes should be paid to the Fund. The Council of Trustees of the Fund is formed in exactly the same way as the provincial Price Boards—one for each province. The Cattle Board comprises representatives of consumers, producers, manufacturers and traders, and is organised in two separate technical sections, cattle and dairy, the officers of which elect jointly the Board's officers. The sections meet jointly to fix import quotas for the different products. The Departments of Social Welfare, Commerce, Agriculture, Interior, Finance and Foreign Affairs, each have a Commissioner on the Board, each with a veto. Representation also is accorded to the National Bank and the Audits Office. In 1934, the Government was aiming at organisation of the coal and beer industries. By a 12th March, 1934, Act the State determined a maximum for production of artificial fats and allotted production quotas to individual undertakings. 1934 and 1935 Decrees regulated the glass industry, *inter alia* by compelling affiliation of undertakings to officially authorised and supervised cartels. On 5th December, 1935, the Prime Minister said that Government activities in economic questions were being revived and the public works were being speeded up.

Denmark

In 1932, Denmark formed an Import Bureau whereby all foreign exchange dealings and all foreign trade

generally was controlled by the National Bank, to which the Bureau was attached.

France

During the depression the Government has assisted the corn market by decreeing these measures for wheat and corn control: minimum prices; export bounties; loans on good terms; regulation of acreage and production; Government purchase and storage of surpluses; compulsory returns by grain cultivators; creation of: (*a*) in each cereal-producing department, a Consultative Committee for organising and controlling production and trade in cereals, representing growers, consumers, millers, bakers and dealers, to advise the Prefect, and (*b*) a consultative National Central Committee of twenty-three members, including the Ministers of Agriculture, Commerce, and the Budget, Deputies, Senators and representatives of agriculture and the allied interests and consumers; and control of quantities to be de-naturised and used for purposes other than human food and the manufacture of alcohol. In August, 1935, the Government agreed to finance the wheat harvest by increased advances to farmers against the storage of a part of their crops. Millers must use a certain percentage of stored wheat. The Government asked the Bank of France to assist the Agricultural Credit Corporation to make the necessary advances. Farmers' Co-operative Societies and individual farmers could get loans from the regional credit Corporations which would be aided by the local branch of the Bank of France. In 1934, a Government Bill proposed Government purchase of surplus wine (to relieve over-production and a slump in prices), financed by special taxes on production and transportation of wine and through the sale of alcohol to be distilled from the surplus. In October, 1935, a Decree authorised the Agricultural Credit Corporation to grant medium-term loans to vine-growers. In September, 1935, Socialist Party Bills proposed State insurance against "agricultural calamities".

ised the Minister of Agriculture to set up a series of modern slaughter-houses throughout the countryside, to see that meat was given better treatment. Prefects were empowered to fix a maximum retail price for meat in their areas. Shopkeepers could be asked for books to justify their prices; and Prefects could close shops for overcharging. An August, 1935, Decree provided that new beet sugar factories could be set up only by Government permission. In 1933, the Government compelled unification and rationalisation of French Air Companies, through a concern with State participation. Air Services were placed under complete national control. Large financial support had been given to them by the State. The State controls the Crédit Foncier de France, a large urban and agricultural mortgage bank. In 1927, the State decided to control the Broadcasting system. On 5th March, 1935, a Government Bill for forming compulsory industrial cartels, in order to adapt production to consumption, was passed by the Chamber of Deputies. Under it, agreements to rationalise production, in industries acutely affected by the crisis, could, for a limited period, be made obligatory by the Cabinet if the majority in an industry so desired. Two Committees were formed, one for arbitration and the other with power to insist on the formation of cartels in industry. The State controls electricity, through a 1927 law, by granting concessions, providing for repurchase, at stated intervals, and the imposition of strict conditions (to safeguard public interests) for use, including maximum charges and the payment of royalties and certain profits to the State. The State and local authorities participate in electricity concerns, usually in mixed companies, with public control. Moreover, to improve country life and provide power for machinery, the State grants large long-term loans or makes grants to groups of communes, or *ad hoc* co-operative organisations for distribution systems. The Agricultural Credit Bank participates in this aid. The State exercises control over certain housing enterprise through some specially formed Public Offices and other

public utility concerns, and through the specially formed National Cheap Housing Society.[1] Public Offices, formed under a 1912 law, are numerous and are governed by a Council representing technicians, Local Authorities, Trade Unions and users of services provided. The National Office of Liquid Fuels, created in 1925, has large powers of control regarding the production of liquid fuels. It is administered, under the Minister of Commerce and Industry, by a Director, aided by a Governing Body of 31 representing the Senate, Chamber of Deputies, Ministries of Public Works, War, Marine, Commerce and Industry and producers, transporters, refiners and users of liquid fuel, consumers and technicians. The Société Minerais et Metaux, organised under Government auspices, takes an important part in lead, copper, zinc and other industries. The State controls minerals by granting limited concession rights and controlling profits. A Mining Act compels staff participation in profits, with the Government, when the concessionaire has received a certain fixed amount. A 1927 Act created permanent potash control, fixing a ratio for dividing profits among companies and creating a Council for administrative control, of twenty members, representing various interests. Sales prices and amounts of pure salts to be extracted each year were to be fixed by the Government. The State has participated in Petroleum Companies, over which it has exercised a national control. Since 1928, it has regulated importation and refining of petroleum and the building of refineries. The State controls the railways, through the concessions which it granted them (allowing repurchase at stated times), and through 1921 legislation and a 1926 Decree compelling some unification and financial and administrative co-ordination under Government control. The 1921 Convention created a consultative Superior Railways Council, comprising a Government Commissioner, twenty-one members from railway Boards,

[1] Organised along the lines of the one in Belgium See also my article, "Public Ownership in France", in the *Railway Service Journal*, March, 1929.

fourteen staff representatives and thirty-five representatives (appointed by the Public Works Ministry), of railway users, including officials, manufacturers, merchants, farmers and the general public. It also formed a Committee of Management, representing only the industry and a Government Commissioner. Thus the State Railway ("West") became more or less independent of the State, forming part of this system. The Convention set up a common fund for pooling the lines' losses and profits. The State promised to make good deficits and take any surpluses. In April, 1935, a Government Bill was introduced into the Chamber, giving, *inter alia*, the Government two representatives on every railway Board of Management and administration, who would be in close touch with the Minister of Public Works. It provided for fusion of certain companies and gave the State greater powers of control. The Government also proposed to institute a system of control over road services, restricting licences where they competed with railways. A central railway Buying Board, under the Ministry of Public Works, also was to be formed. The Department of the Seine, including Paris and its suburbs and many important industrial districts, in 1922, by acquisition, brought the tram, bus and river traffic of this area under one management. Public authorities control numerous local and light railways. A 1933 Bill introduced into the Chamber proposed to facilitate the creation by Municipalities of special organs to fight against the high cost of living. In 1935, the Government appointed an Economic Advisory Committee to consider how trade restrictions could be removed. Under authority granting to the Government, by a law of 8th June, 1935, plenary powers for the defence of the franc, 566 Decrees were passed by 3rd November. Many dealt with financial and economic reorganisation,[1] covering, for example, Government control of war industries and reorganisation of the silk industry.

[1] See *Journal Officiel*, and *The Times*, 4.11.35 Many were adopted at the Cabinet Council on 30th October, 1935.

In May, 1936, the Front Populaire proposed to nationalise and control the Bank of France.

Germany

The Reichsbank is submitted to State control, under a 1924 law, and has limited rights therein laid down. Its operations are thereby controlled and its management is indicated. The Reich gets a stipulated share in profits which are regulated. The Reichsbank owns the Gold Discount Bank.[1] A National Coal Council (reorganised in 1933) has important powers over the coal industry. In 1933, its membership was reduced from sixty to thirty-two; representing, *inter alia*, employers and workers (from organisations chosen by the Government), various consuming industries and enterprises and the States. Employers' and workers' members were reduced from fifteen to nine each. The Federal Minister for Economic Affairs nominated the workers' representative and the Federation of German industries nominated eight out of nine employers' representatives. A December, 1935, law provided for Reich direction of the production and supply of electricity.

A State Food Organisation (Reichsnahrstand) organises, on a compulsory basis, all agricultural production and marketing. Every farmer, agricultural worker, manufacturer or processor of agricultural products, trader or merchant, in short everyone handling food, must join. Every member subscribes to the cost of the organisation. It is run as a kind of Government Department, though organised separately from the Ministry of Agriculture, whose Minister is at its head. Together with a special independent Reich price controller, it fixes prices, to protect the consumer. Farming, agricultural production, marketing and prices, therefore, are under strict State control. The Reichsnahrstand has provincial Divisions and County units. It regulates the market on commodity lines; with self-administered bodies for each

[1] As stated previously (see pp 9 and 116) the State controls all banks and has regulated the Stock Exchanges

commodity—called group and marketing associations, organised on a compulsory basis. In November, 1935, the Government decreed control of exports of a large group of foodstuffs and raw and semi-raw industrial materials. The Government has provided for a central body, under a Reich Commissioner, to control compulsorily the production of oils and petrol from Crown coal (lignite), in order to free Germany from dependence on foreign supply; and a recent Act authorised the Finance Minister to give guarantees to industries producing substitute raw materials. In August, 1934, a Control Board (the seventh established by the Minister of Economics to supervise the use of vital raw materials) was created to control iron and steel, embracing all dealings in these and their alloys, including production and marketing.

Potash production started as a Government monopoly and the Government vigorously encouraged the industry in its early stages. In 1858, the Prussian Government operated the first worked potash in a salt mine. In 1888, a syndicate of the mines took over production; but the Prussian Government had certain powers. Domestic selling prices could be fixed by the Government and could be reduced, to develop sales and aid agriculture, and alteration in allotment of mines' quotas could be vetoed. The contract underlying the Syndicate was renewed in 1898 and 1901. Further Government powers were taken when, in 1904, the Monopoly was reorganised as a limited liability company, controlling marketing of all production. The Syndicate had a General Assembly, which had one member from each mine and chose the eight members of the Supervisory Council. A Supervisory Council exercised general control, and the Government, through the Minister of Commerce and Industry, appointed its Chairman. This body appointed the Management, which fixed prices, with the Supervisory Council's approval every year; though the Government really controlled prices, since it fixed domestic sale prices, and changes in foreign selling prices had to command

its representatives' votes. After 1910, when the Syndicate was reorganised, the Federal Government directly fixed prices. A 1910 Reichstag law fixed home prices until 1914, after which the Federal Council was to fix them, in consultation with mine-owners and home-consumers, for five years. The Federal Council had to approve any sale abroad lower than that at home. Pooled profits were distributed to members according to quotas, which were determined by a Committee of Seven, of which the Chancellor chose two, and the Chairman, with the Federal Council's approval. The Government had to approve any quota transfer of over half the share given to any mine. Government control increased through legislation in 1919, 1921, and 1924, which compelled all producers to join the Union or Syndicate, instituted Government control, by Committees largely appointed by the Government after nomination by the interests concerned, and by or with the approval of, State officials. The Federal Potash Council (Reichskalirat) of thirty, comprising eight representatives each of mine and factory owners and workers, fourteen representatives of such other interests as consumers, dealers and technical experts, exercised central control. Many Bureaux and Committees aided in the industry's administration. The Minister of Economy exercised the Government's authority; and he could be represented at all meetings and enforce observance of the law. Domestic prices were regulated and the monopoly was to control foreign prices—though it still needed permission to sell abroad more cheaply than at home. Regulation of home prices was accompanied by liberty to obtain the best prices abroad. Competitive marketing was abolished. The number of mines was to be limited, to induce other economies. The 1919 Act enabled the Potash Council to stop the opening of new shafts, to close works operating, on certain conditions, and to refuse quotas to works with too heavy costs. Voluntary closing of mines or transfer of quotas, with safeguards for workers, could occur. Rationalisation was to be promoted by the 1921 and the

1924 laws, which gave the Government wider power t take mandatory action, and induced inefficient works t close for a long period (up to 1953) in exchange fo permanent, transferable production quotas; and grea economies and gains for workers resulted from thi rationalisation movement. The increasing of profits fo State and private owners of mines and factories and th safeguarding of home agricultural interests by guarantee ing ample suplies of cheap fertiliser salts, were th chief aims of this Government action.[1]

[1] Here are greater details of this legislation A general law, followed by th 18th July, 1919, law, entrusted the Government with regulation of the industr This created a forced cartel (Kalisyndikat), which was to be perpetual, an combined producers in a sales cartel, if by 31st October, 1919, it was not forme the Minister of Economic Affairs could create a cartel by Decree. Also th Federal Potash Council (Reichskalirat) was formed, of thirty members fi representing producers, three the cartel, eight workers in the industry, tw chemical and technical employees, eleven consumers and trade (subdivide and one expert Thus Parliament, under Federal Supervision, managed th industry in the general interest. It had to endorse cartel agreements and b laws, and fix potash sales prices; and originally through a Committee it w to regulate quotas every five years A Federal Government representati could attend all meetings of the Kalisyndikat and the Reichskalirat or i permanent Committees and could object to any resolution which, within tw weeks, had to be approved or overruled by the Minister of Economic Affair The Minister could even lower prices agreed on by the Reichskalirat. A the latter's expenses had to be paid by the cartel (as in the coal industry Members of the cartel had to put all potash mined and produced and all pota products at the disposal of the cartel, which obtained the sole right to se potash and potash products This was meant to be a preliminary to socialis tion, after the Socialisation Commission's work had been completed Th Commission evolved two plans for the industry; (1) fixing quotas for thir years, prohibiting the opening up of new pits and mines or closing without Government decree, but with the Reichskalirat having power to close min if regularly uneconomic production occurred Rathenau and V. Sieme supported this scheme, but Rathenau wanted to close all mines which, aft two years, did not produce at a cost less than 20 per cent above that the average of the most efficient mines; which latter should buy their quot Others wanted the State to take such quotas The other plan—the Wiss scheme—which had more of a character of socialisation, thought that cost production and sales prices should not be lowered while interest was paid over-capitalisation; but did not want to increase the quotas of efficient min and thus strengthen their monopoly. It proposed a public corporation, wor ing not for private profit, but in the general interest Old mine-owners we to be compensated, at their production value and not on the basis of capitalis tion or money expended; receiving nine-twentieths of the capital of the ne corporation in 4 per cent preferred stock, the other eleven-twentieths bei held by the Government and not saleable. Some people wanted a pub

By a 1933 Act, the Council's composition was changed: it consisted of 30 members and included more agricultural representatives (7 instead of 4) and fewer workers. The Potash Syndicate nominated the employers' representatives and the Federal Minister for Economic Affairs decided who should nominate the workers' and employers' representatives. A 1934 Act abolished the Council as being incompatible with National-Socialist ideas of economic organisation and division of responsibility. A Potash Syndicate was constituted compulsorily for all owners of all mines. Failing its organisation by producers, the Federal Minister of Public Economy was to appoint the members and define their rights and duties. Producers (though not mine-owners) of Potash in fact could be compelled to join. A committee runs the Syndicate's current business—with a Chairman appointed by the Minister. There is also a Board, of which the Minister approves the Chairman and his Deputy. In agreement with the Provision Corporation, the Syndicate fixes the maximum selling price to German agriculture. All measures taken by the Syndicate can be revised by the Minister. A special Service fixed marketing quotas of individual members; and the Minister appointed the Director of this Service, which was to be assisted by a Board of six experts, with the Minister's approval.

In 1935, the Government set up price supervision offices in different regions; and controlled prices of foodstuffs in an effort to keep down retail prices. Prices were fixed for such commodities as butter, margarine, oil, cheese, potatoes, pork, lard, beef and suet. In Novem-

corporation with a 51 per cent old owners' interest. Both schemes failed to materialise, but the 18th July, 1919, law was modified by a Potash Mine Closing Law of 22nd October, 1921, which enacted that mines closing down and stopping closed till 1953, either voluntarily or by Government Decree, keep their quota till 1953; other mines would lose their quota when they became unable to deliver their share of production Quotas were fixed till 1934, and closing down of mines must be affected by an unalterable statement to a permanent committee of the Reichskalirat up to 1st April, 1933, after which productivity of mines could be investigated, and those regularly producing at very high cost could be closed down by Government Decree Opening of new pits was also prohibited, except in the general interest

ber, 1935, the Government introduced a licensing system for exports and imports of war materials. An Act of 27th February, 1934, on the preparation of the organic reconstruction of the national economy provided for replacing the various economic associations at first by thirteen big groups, seven embracing the chief branches of industry and the rest handicrafts, trade, banking, insurance, power and transport. Later, transport was transferred to the Transport Minister's jurisdiction; and the above seven big groups were turned into one group, giving a division of industry into six groups; subdivided into sub-groups and regions and co-ordinated under a National Chamber of Economy, directed by the Economic Leader, by a 27th November, 1934, Order. Under an Act of 15th July, 1933, enabling compulsory cartels to be created by the Minister of National Economy, numerous such associations have been formed.

Greece

An 1895 Retention Law, passed annually, tackled the problem of over-production of currants and forced exporters to give, free, to Government warehouses 15 per cent of the amount of dried currants exported, or a cash equivalent, the latter option being abolished in 1896. In 1899, the Act's operation was altered to cover a period of ten years and a Currant Bank was formed to help the retention of the crop and warehouses, and aid growers through loans. This bank, in 1903–4, was forced by the Government to absorb the surplus crop in buying currants offered to it at a determined price. In 1904 the retention was continued at 20 per cent, a prohibitive tax was put on new plantations and a tax in kind of an equal value supplanted the 15 per cent cash export tax; so that 35 per cent of the harvest could be withheld from the market. A Privileged Company for Development and Protection of the Currant Production and Trade, working under a twenty-year charter, took over control from the Government in 1905. The Viticultural Bank and a group of financiers and the State signed a Con-

vention. Each year the Company agreed to pay a stated sum to the State, which should share in profits. The State gave it special protection. It agreed to buy each year, at certain stated prices, all grapes offered to it, to utilise them industrially, to create warehouses where viticulturists could store their grapes and to make advances. It created a Hellenic Wine & Spirits Company, providing half its capital in the shape of stocks of fruit on hand. The Company was given the right to collect 35 per cent in kind of exports and to deduct in advance 7 drachmas per one thousand Venetian pounds. The prohibitive tax on new plantations was maintained at first. Then, through a loan the Company paid premiums to growers agreeing to uproot their vines. In 1912–13, the Greek Government intervened when the Company tried to increase profits by restoring cash (and reducing "kind") payments. In return for reforms in management, in 1913 the Company got a 4 per cent dividend guaranteed by the Government. In 1914, with British Government approval, the Government increased the retention quota by adding a further 15 per cent of exports, making a total of 50 per cent. In 1924, the Government took over the Privileged Company and contracted with the National Bank to manage the industry for one year. In 1925, the Company's 1905 rights were handed to the Central Currant Office, a co-operative body managed by a Committee of Three, appointed by an Administrative Council of Sixteen, comprising eight growers' representatives, one each from the Ministries of National Economy, Finance and Agriculture and Grape Growers, and two from the export trade, with a Managing Director and Chairman. The Government's interest in the currant tax is safeguarded by its representation in the management. Otherwise the concern operates independently; though the retention scheme operates still and has strengthened its hold to meet foreign competition. There is a measure of compulsory co-operation for collecting wheat, irrespective of the percentage of producers organised in voluntary

associations. A 1932 Act sanctioned State transactions in the wheat market and authorised a Central Committee for the Protection of the Wheat Trade to collect and, on conditions, buy wheat for the State. The Committee was allowed to use district co-operative Federations to collect wheat.

Hungary

A 1930 law for control of grain provided that purchasers of grain must previously buy grain tickets, which also must be bought in respect of all grain and grain products imported from abroad. From a grain marketing fund to be established would be refunded the value of grain coupons not used by the producer in paying taxes and also the value of grain tickets held in respect of exported grain. It also would be used to ameliorate agriculture in general. Regulations also were laid down regarding grain mortgages and credits on crops sold before harvest; and dealings in grain for future delivery were prohibited except by special authorisation. Further, the Government was authorised to make rules for milling grain and proportions of wheat and rye flour to be used in baking. Some private railways are operated by the State. During the Great War the State controlled distribution of goods through *ad hoc* National Offices. In 1933, the Government proposed to control companies, co-operative societies and undertakings in which the State had financial interests by a Special Commissioner.

Italy

A 5th February, 1934, Act laid the foundations of the Corporative State: establishing twenty-two Corporations embracing the principal branches of production, with the function, *inter alia*, of co-ordinating and improving the organisation of production and the regulation of prices of consumption goods and services; the Corporation being divided into three groups, for agriculture, industry and services, under the direction of the National Council of

Corporations, presided over by the head of the Government. State intervention occurs also in more detailed matters; e.g. by the 16th June, 1932, Act, in forming compulsory associations of producers in single industries, and by a 12th January, 1933, Act, in controlling the building of new factories and the extending of old ones. On 5th March, 1934, the Cotton Institute was given the control of purchase of raw materials and the regulation of production and sales for the entire cotton industry. In April, 1935, its control of all cotton imports and exports was confirmed. A Coal Institute was formed by a July, 1935, Decree: to collaborate with all companies exploiting coal-mines; to issue permits in connection with the discovery and working of coal deposits; to grant loans or subsidies to companies working mines in which it has at least a majority of the shares; and to set up and manage agencies for marketing coal extracted from mines worked directly or indirectly by the Institute. The Government gave the Institute an annual grant. In August, 1935, a semi-State undertaking was formed by amalgamating two companies working coal-mines in Istria and Sardinia, to increase output, with special State aid.

In December, 1934, followed by a May, 1935, Decree, the Government took control of all foreign currencies and securities owned by Italians and created virtually a State monopoly. The National Institute for Foreign Exchange was authorised to mobilise all private holdings abroad and pay the holders in Italian Lire. In May, 1935, it created a Superintendent of Currency Exchange, responsible to the head of the Government, to watch over the distribution of foreign currency, co-ordinate the different services connected with the import and export trades and regulate supplies imported on behalf of State Departments.[1] On 28th August, 1935, the Government decreed obligatory cession of credits abroad and obligatory conversion of foreign bonds and Italian bonds issued abroad into special Treasury bonds. Dividends of com-

[1] See p. 196 for details of later State intervention in this sphere.

panies and Corporations were limited temporarily (to 6 per cent of paid-up capital—with certain exceptions—for three years). Profits not so distributed would have to be invested in such bonds and applied to a special reserve fund untouchable for three years. A 19th August, 1935, Government Decree closed the commodity exchanges at Bologna, Florence, Naples, Fiume, Padua, Genoa, Turin, Milan, Trieste and Venice, as they no longer corresponded to the corporative organisation of the national economy. The Government intended to suppress speculation and control prices of many important commodities.

In 1910, the Government took control of citrate of lime factories and in 1924 issued new regulations for such control. During the imposition of League sanctions, various measures of control over the production of and trade in foodstuffs and over national economic life in general were instituted. On 5th October, 1935, Signor Mussolini enunciated principles for plans to be drawn up by a special Committee for the better utilisation of national raw materials, control of purchase of raw materials and strict organisation of production plans for the cotton, jute, hemp, rayon, paper, iron and steel, aluminium, rubber, foodstuffs, oil and grease, soap and fuel, mineral ore, maritime transport and other industries. A February, 1936, Decree gave the Government control of all land and sea transport, strengthening its already very strong hold on transport. In February, 1936, a Corporative Committee was created to plan production of liquid fuel substitutes from Italian raw materials and to make Italy more independent of foreign supplies.

Lithuania

By a 1935 Act, the Government appointed a Commissioner of Prices to regulate prices.

Norway

In September, 1935, the Minister of Agriculture said that the Government's recent agricultural measures had

included: the guaranteeing of a price for first-grade butter; control of prices of bacon and eggs; regulation of conditions of production of mountain and farm butter; and increased grants, to lower the cost of fertilisers to small farms, for land settlement and cultivation of waste land. It contemplated, in the near future, organisation of marketing of agricultural products through Central Boards empowered to overcome the opposition of recalcitrant minorities, direct regulation of production, and a national scheme of land settlement.

Poland

In 1925, the sugar industry was organised compulsorily. In 1930, the coal industry, in 1932 the metal industry, and in 1933 the oil industry, was brought under State regulations. The State controls cartels; and, in 1934, reduced the prices of various cartellised products compulsorily. Recently the Government created an Exchange Commission, to control currency and foreign exchange, and took over complete control of the foreign trade of Poland and the Free City of Danzig, exercised through a Foreign Trade Council.

Portugal

In 1935, an Act provided for expenditure on economic reconstitution and public works of £60 million, spread over fifteen years. The corporative organisation of industry dominates economic and industrial life. Special Government aid has been given to the horticultural and cod-fishing industries.

Rumania

The Government has set up a buying Commission to purchase wheat at a price fixed by the Government. An inter-Ministerial Committee works the scheme, which is not monopolistic.

Spain

Irrigation is controlled, under the ægis of the State, by interesting and unique autonomous, co-operative

bodies, including users on a compulsory basis, representatives of industry, agriculture, banking and the State. The State controlled the railways,[1] by means of concessions, with provision for repurchase, and the fixing of maximum rates, giving certain financial guarantees; until a 1924 Decree provided for a kind of compulsory consortium or co-partnership of the companies and the State. No further concessions for individual exploitation were to be granted. In 1925, the Government sanctioned the issue of special stock foreshadowing purchase of the railways. In 1928, the State bought out the main companies in Western Spain to unify the services by amalgamation; and grouped them in a special company. There is compulsory insurance for passengers and livestock, the proceeds going to a national association to foster tourism. Through its Committee for Regulating Production the Government must approve all new industries; and industries cannot be expanded or sites changed without approval. A Government Committee exercises a certain control over exports. The Government controls mining, having enforced a certain amount of grouping and rationalisation. It controls an air monopoly and a nitrogenous products monopoly. In November, 1935, the Government announced a five-year plan for undertaking widespread public works, to take roads and water supplies to every village, at a cost of about £27 million pounds. In March, 1936, the new Government's programme comprised, *inter alia*, the "taking under protection" of industry, by the Government, by intervention in markets, business, finance, regulation of prices of materials, reform of the Bank of Spain, large-scale public works and land reform.

Sweden

The State controls certain natural resources through Concession Laws, providing for proper utilisation and repurchase. It spends large sums on long-term loans

[1] See my article in *The Railway Review*, 7.6.29, on "The Railways of Spain ".

to electricity distribution agencies. Municipalities control certain waterfall concerns. The National Milk Board supervises a system of compulsory levies for providing the financial basis of a scheme of organised marketing and price equalisation on co-operative lines. Egg marketing is being reorganised on similar co-operative pool lines, a National Board having a certain control. Steps are being taken to form a similar organisation for marketing meat. The Government gives financial aid to a local, district and national credit system. A February, 1935, Armaments Control Bill, introduced into the Riksdag by the Government, prohibited manufacture of armaments without Crown permission, which could be withdrawn if desired. Control authorities were accorded full powers of inspection. The Government strictly regulates private banks. It sanctions new banks and new branches; grants ten-year charters, which it can rescind, to watch developments; curtails substantial acquisition of real estate; limits the right to acquire shares; and stops the granting of unlimited credit to private persons or companies. A Bank Inspection Board operates under Government instructions and has very full powers. During the 1922 deflationary period, the Government formed, with private banks, a special concern, Aktiebolaget-Kreditkassen, to help embarrassed private concerns. The State controls the huge Luossavaara-Kurunavaara Iron Ore Company.[1] There is a very interesting scheme of liquor control.[2] The State gives subventions to, and exercises a certain control over, certain small private railways. A recent motion in the Riksdag proposed public control of measures of industrial rationalisation. In November, 1934, the Finance Minister appointed Committees to consider a State monopoly of the trade in coffee, and a State monopoly of fuel oils and petrol.

[1] See p. 255.

[2] See, *inter alia*, W. Thompson, *The Control of Liquor in Sweden*, London, 1935

Switzerland

In 1928, the Federal Government proposed to modify the Civil Code, to authorise Cantons in case of housing shortage, to forbid destruction of houses and the use of houses for other purposes. The State has controlled electricity development. Private concessions have been granted, with provision for repurchase. Special legislation has governed the use of water resources under State control, during the past thirty years. The Federal Government and the Cantons of Berne and Valais have a certain amount of control over the Lotschberg railway: other Cantons control various smaller mountain railways through their share holdings.[1] Public authorities get a certain control over air services and broadcasting, as they grant subsidies.

Turkey

In 1933, the Government introduced a measure for supervising the increase in banking and safeguarding public savings in banks. In 1933, it prevented the establishment of further factories without its consent. The Government has instituted monopolies of the importation of sugar and coffee. In 1934, in connection with the inauguration of its five-year industrialisation plan, the Government established two big cotton mills, a paper mill, a glass factory, a sugar refinery, and sulphur and milk products factories. Its second five-year plan foreshadowed, in February, 1936, control of mining and electrification. A Mining Act provides for compulsory staff and Government participation in profits above a certain level.

JAPAN

There is a complete Government monopoly of collection and sale of raw camphor, yielding normal State revenue[2] with Government price control, to suit its

[1] See p 257

[2] See *Japanese Rule in Formosa*, by Takekoshi Yoseburo, 1909, p 178; quoted by Wallace, B. B., and Edminster, L. R., in *International Control of Raw Materials* (London; 1930), p 67

purpose. It is in two branches, legally distinct, and is worked under a 1903 law. The chief branch is in Formosa; this dating from April, 1899, and being run directly by the Formosa Government. Since 1903 the Japanese branch has existed, under the direction of the Bureau of Monopolies which also manages salt and tobacco monopolies. The Government fixes and publishes, as necessary: the price of sale of crude natural camphor, both for refiners in Japan and for export; prices payable by the Bureau to producers; the limit of crude camphor production for a certain time; and amounts for sale at home and abroad. Government output control supports Government price control. The number of collectors can be limited; likewise sales, through keeping from the market the raw and the refined product. The aim has been to get better prices for camphor, more public revenue, and to promote development of the home camphor-refining industry. The Government has successfully controlled prices, and monopoly profits show how effective the control has been. In 1933, the Government passed a rice control law, to strengthen the law regulating rice. Maximum and minimum prices were fixed: the Government had to buy at the latter and sell at the former any amount desired by producers or dealers. Following certain concerted action by reelers to limit production and make minimum prices, in 1915 the Government created the Imperial Silk Company, largely to purchase big stocks of silk to hold over till the next season. In 1918, the Government started a pool, with its financial backing, Imperial Raw Silk Company, following which production was again limited. In 1927, a large loan to growers was backed by the Government; which, moreover, supported another big loan to the Imperial Silk Company, to finance the withholding from the market of silk. The Government also encouraged an agreement to decrease output. In 1930, the Government bought silk and took it off the market; and, in 1931, it indemnified the syndicate banks to allow large quantities to be withdrawn from the market. In 1932,

the Government agreed to buy a large amount not marketed owing to the fall in prices; and announced measures to regulate silk output. The Cabinet Study Committee's Scheme of Economic Recovery, published at the end of 1935, envisaged: Government regulation of profits and interest rates; State supervision of the main industries; industrial decentralisation; and transference of industries.

SOUTH AMERICA

Argentine

In 1935, a Government Decree set up a National Cotton Board to develop planned cotton production, improving production and marketing through direct State action in the technical, industrial and economic spheres. The Board, presided over by the Minister of Agriculture, includes Federal or local officials and representatives of commercial and industrial concerns and growers' co-operative societies. In August, 1930, a wheat pool was formed. In 1933, the Government instituted control over wheat supplies and prices. State control of buying, selling and export of frozen, chilled and canned meat was introduced recently through a National Meat Commission. The Government has instituted full State control of all petroleum production. All petroleum wells are national property. Import and export are controlled. The State can operate pipe lines directly, or through mixed companies with State representation and armed with a power of veto. Private individuals can be licensed to exploit wells. The Government gets 12 per cent on the raw product of all petroleum exploitation. About one-third of the railways are State owned; but a 1907 law limited profits and dividends. In April, 1935, the Government allowed the Buenos Ayres and Great Southern Companies to co-ordinate certain services. A Committee, appointed by the Government, in 1934, to study the railway problem, reported in April, 1935, urging co-ordination of rail, road and

river transport. A 1932 Bill drafted to achieve this was sent to a Parliamentary Committee, the majority of which prepared a modified Bill urging the creation of a Transport Board representing all interests concerned. Eventually the National (or Federal) Transport Co-ordination Bill was passed by the Chamber of Deputies, in September, 1935; but the Senate postponed consideration of it.

Chile

The State controls the nitrates industry. After reorganisation it is controlled by a Corporation, with the Finance Minister as President and with State regulation of profits, of which the Government receives 25 per cent.

Colombia

A 1935 Bill envisaged: a new National Coffee Department, under Ministry of Agriculture supervision; State intervention in purchase and export, using its consular and commercial agents as advisers and propagandists; and exclusive State sale and distribution in foreign markets, if necessary, to protect national wealth and ensure monetary stability. Part of the revenue from a tax on coffee was to be used for rural welfare—50 per cent of it was to be the capital of the Bank of Industrial and Agricultural Credit.

Mexico

An interesting form of control is the obligation laid upon certain exploiters of land to use collective irrigation facilities. Yucatan produces about 75 per cent of the fibre for making the world's supply of binder twine. Since 1912 Mexico has controlled Henequen (sisal hemp) production. Prices above a free competitive price are gained; and when, in 1916 and 1917, prices rose, sale was restricted till the price was 23 cents a pound—over 60 per cent of which was monopoly profit. The Commission Reguladora Del Mercado de Henequen was established, in 1915, to control this material. In 1920,

the Federal Government authorised it to be replaced by the Commission Exportadora de Yucatan, for which, in 1924, the Co-operative Society of Producers, representing 70 per cent of the State's production, was substituted. These have regulated prices. A production tax on sisal and limitation of planting areas were introduced by a 1922 law of the State of Yucatan. Production of sisal was limited under a sliding scale by 10 to 30 per cent by a 1926 State law.

Paraguay

The new Government, in 1936, introduced Government control of "necessities" and the main currents of production and trade. It authorised State banks and certain Ministries to monopolise export products and fix maximum prices.

UNITED STATES [1]

An extremely interesting experiment in controlling national economic life has been made by President Roosevelt since he took office on 4th March, 1933. In fact, some measures of control or organisation of most branches of economic and financial life were introduced within his first few months of office. Since the Great War various plans of Government aid to agriculture, such as the McNary-Haugen and Export Debenture plans, sought to win Government support. Eventually, in 1928, President Hoover initiated the Federal Farm Board which was enabled, through special Corporations, to buy farm surpluses. At the peak point it was estimated that it owned 250 million bushels of wheat and wheat futures and 1,300,000 bales of cotton. President Roosevelt attempted a more thorough reorganisation through the Agricultural Adjustment Act, 12th May, 1933, with the Emergency Farm Mortgage Act, 1933,

[1] In addition to the files of the *New York Times* and *The Times*, very useful sources of information are: *Social and Economic Reconstruction in the United States*, and *National Recovery Measures in the United States*, published by the International Labour Office, in Geneva.

and the Thomas Amendment designed to reach agricultural stability by State application of general currency and credit expansion. In agriculture, laissez-faire was seen in its crudest and most cruel form, leaving the farmer at the mercy of surpluses. The State's aim was, restriction of agricultural production, elimination of competitive wastes in distribution, the balancing of production and consumption and the improvement of marketing, to raise farmers' purchasing power. There was a scheme for compulsory restriction of cotton acreage and disposal of Government stocks of cotton; and a general, permissive plan of restricting production was evolved for certain basic products: cotton, field corn (maize), hogs, milk and milk products, rice, tobacco and wheat.[1] Growers agreeing, voluntarily, to restrict output of crops within limits, could receive compensation, financed from a tax on processors, millers, meat-packers, cotton manufacturers, etc. Production was adjusted by the allocation of production quotas to producers, and Government (Secretary of Agriculture) acquisition of leases of land for withdrawal from production. Farmers received rental and benefit payments, and loans on stored crops sometimes. The Bankhead Cotton Control Act, 21st April, 1934, strengthened the cotton restriction scheme: a tax was levied on cotton in excess of 10 million bales which might be ginned for the crop year 1934–5; and a Tobacco Act, 28th June, 1934, similarly reinforced the restriction scheme. A Potato Control Act was passed in 1935. The Agricultural Adjustment Administration (A.A.A.), headed by the Secretary of Agriculture, had a large organisation throughout the United States. A Consumers' Counsel was established. The A.A.A. was authorised to enter into marketing agreements with producers, processors, or distributors of any basic or other agricultural product; various agreements, licences or codes were made. Marketing agreements, in preference

[1] A 7th April, 1934, Amending Act added. barley, cattle, flax, grain sorghums, peanuts and rye. A 9th May, 1934, Act added sugar beets and cane, and authorised Government purchase for distribution to the unemployed.

to benefit payments, were used in production control for wrapper tobacco and rice; by an arrangement with handlers and growers. Local milk agreements achieved minimum producers' prices, regulated quality standards and fixed distributors' retail prices. Orderly marketing of fruits and vegetables was achieved, by coercing recalcitrant minorities into co-operative action. Marketing agreements were made for the sale of surplus crops. The Commodity Credit Corporation, organised under an October, 1933, Executive Order, helped by advancing loans to cotton and corn farmers; and the Reconstruction Finance Corporation and other bodies gave help. The Federal Surplus Relief Corporation, established on 4th October, 1933, bought many surplus agricultural products. 1933 Acts also provided for relief of indebtedness and important measures of agricultural finance and credit. Special agricultural credit facilities had been provided before President Roosevelt arrived.[1] His Executive Order[2] consolidated all Government agricultural credit agencies[3] in a Farm Credit Administration. Other main Acts were: Emergency Farm Mortgage Act, 1934; Farm Mortgage Refinancing Act, 1934; Farm Mortgage Foreclosure Act, 1934; Frazier-Lemke

[1] The Federal Reserve Act, 1913, allowed Federal Reserve Banks to make certain agricultural loans The Federal Farm Loan Act, 1916, created twelve Federal Land Banks and several private Joint Stock Land Banks to make mortgage loans In 1920, the War Finance Corporation was restored to finance agricultural exports and liquidate farmers' frozen assets The 1923 Agricultural Credits Act created twelve Federal Intermediate Credit Banks to lend directly to Co-operative Marketing Associations and rediscount farmers' notes for Agricultural Credit Corporations, Live Stock Loan Companies and State and National Banks. The 1929 Agricultural Marketing Act provided for a fund, under the Federal Farm Board, to lend to co-operative associations, and associations seeking stabilised marketing of agricultural commodities (these latter functions of the Board were abolished in March, 1933). The Reconstruction Finance Corporation could lend to agriculture through existing agencies In July, 1932, twelve Regional Agricultural Credit Corporations were created under the Emergency Relief and Construction Act, owned and managed by the Reconstruction Finance Corporation.

[2] 27th March, 1933 effective 27th May, 1933

[3] Including the Federal Farm Board, Federal Farm Loan Board, loaning activities of the Secretary of Agriculture and Regional Agricultural Credit Corporations.

Indebtedness Act, 1934; and Farm Credit Act, 16th June, 1933. The latter created a network of banks and credit institutions to make loans for production and marketing of agricultural products. It instructed the Governor of the Farm Credit Administration to organise twelve Production Credit Corporations, and local Production Credit Associations, to make loans to finance crop and live stock production, a Central Bank for co-operatives and twelve banks for co-operatives. The Reconstruction Finance Corporation made available the necessary funds. On 10th April, 1934, the President stated that the Government would buy submarginal land; and the Public Works Administration allotted a fund for such use in distressed agricultural areas. On 6th January, 1936, the Supreme Court denied the constitutionality of the A.A.A. and also killed the special cotton, potato and tobacco control Acts. The President then brought forward a tentative plan to restrict farm output by Government renting of necessary land to promote conservation of soil fertility; i.e. withdrawing such land from cultivation.[1]

Under a 1917 Act, the President declared a national banking moratorium on 6th March, 1933. The Emergency Banking Act, of 9th March, gave him full control in an emergency over all banks and foreign exchange transactions and export or hoarding of gold and silver, bullion or currency, and powers of reorganisation and reform; and authorised the closing of banks and reopening as they were found in a sound condition. Federal Reserve Banks[2] obtained greater power regarding note

[1] Later the Soil Conservation and Domestic Allotment Administration was created; and farmers were to be paid for reducing crops, if they attended to the permanence of their soil

[2] Under the 1913 Federal Reserve Act, the Government has exercised an important measure of control over banks through the Federal Reserve System. This Act set up a Central Bank to centralise reserves, it formed twelve districts, each with a Central Bank, with federation into a Federal Reserve Board, which controlled these twelve banks and had a one-third representation on the directorate of each of them The Federal Reserve Board was largely influenced by the Treasury, the Secretary of the Treasury being Chairman, and the Comptroller of the Currency a member of the Board, the President also nominating other members

issues and advances. Executive Orders, under this Act and related legislation, in April and August, 1933, stopped hoarding of gold and restricted gold exports. Banks which could not be put on a proper basis were liquidated. A Deposit Liquidation Division of the Reconstruction Finance Corporation dealt with frozen deposits of closed banks: it lent on the latters' assets, enabling depositors to draw on their deposits up to a given point. Banks were made sound where possible, e.g. by writing down assets to a lower level in relation to actual values; and they were put on a licensing basis. Under the above Act the Reconstruction Finance Corporation, to support the banking structure, bought preferred stock of banks and Trust Companies, enabling the Government to influence banking policy directly, if desired. The Banking Act, 1933, provided for better use of bank assets, regulation of inter-Bank control, and safeguards against speculative practices. Certain abuses in banking management were stopped. It provided for a limited guarantee of bank deposits. A Federal Deposit Insurance Corporation was created, to liquidate assets of closed banks and insure bank deposits. It was managed by the Comptroller of the Currency: its capital was regulated and there was a Treasury subscription.

The Reconstruction Finance Corporation Act had been approved on 22nd January, 1932. The Corporation provided emergency facilities for financial institutions, to aid in financing agriculture, commerce and industry. Its powers and range of action were increased in 1932 and 1933. Its Managing Board comprises the Secretary of the Treasury, and six other directors appointed by the President, with Senate approval. The Treasury subscribed its capital. It was made the chief financing agency behind the Roosevelt schemes. The Industrial Loans Act, June, 1934, provided for direct loans to industry by the Federal Reserve Banks and the Reconstruction Finance Corporation, special funds being made available.

The Securities Act, May, 1933, sought to regulate

the issue of new securities. A milder form was passed in June, 1934, as the Federal Securities Exchange Act; which set up a special Federal Securities Exchange Commission, of five members appointed by the President with Senate approval, with extensive powers of supervision over Company prospectuses and dealings in shares. Specific rules were laid down regulating, for example, trading on "margins" and "short selling", and prohibiting practices for manipulating the market, such as pegging of prices, trading in options, pools and corners. Proposals for regulating the commodity exchanges also were made. Special Bills prepared dealt with "futures" transactions in wheat, corn, oats, barley, rye, flax, seed grain, sorghums and mill feeds; and provided for the licensing of futures Commission merchants, and revocation of such licences.

Important measures of monetary and financial policy were passed. Thus, the "Thomas Amendment" attached to the Agricultural Adjustment Act and the Emergency Farm Mortgage Act, allowed the President, under certain conditions—though he did not use all these powers—certain methods of currency and credit expansion, with special reference to Treasury control of open-market operations. This Amendment, a December, 1933, Proclamation and a 1934 Silver Purchase Act provided for the increased use of silver as a monetary medium. The Government devalued the dollar; took over all gold held by Federal Reserve Banks; and used part of the paper profit of devaluation as a stabilisation fund to regulate the dollar's foreign value and support the bond market if necessary. The Thomas Amendment also enabled the Federal Reserve Board, with the President's approval, to declare an emergency, as deemed desirable, and, for purposes of credit expansion, to increase or decrease, for the time being, reserve balances which bank members of the Federal Reserve System must keep against demand or time deposits. Moreover, the Emergency Banking Act authorised the Federal Reserve Banks to issue currency up to 100 per cent of

the value of Government obligations and 90 per cent of the value of notes, drafts, Bills of Exchange, or bankers' acceptances lodged with them as security. Among the most important 1935 legislation was the Banking Bill for the concentration of credit and currency control in the Government and Treasury control of the Reserve system. It was toned down by Congress; but eventually the Government got an important measure of control over the volume of deposits and over the vital inner citadel of private banking. Instead of open-market operations in buying and selling Government securities remaining voluntary, the Reserve Banks now must buy and sell as directed by a Committee, of which seven members are appointed by the Governors of the Reserve Banks, in turn nominated by the President, and only five by Federal Reserve Directors; giving the Government a seven to five control. By a 9th August, 1934, Executive Order, the Government nationalised all silver supplies, all of which (with certain exceptions) had to be turned over to the Treasury through delivery at one of the various mints within ninety days. Manufacturers using silver had to obtain supplies on licence from the Government.

The Government tackled the problem of indebtedness by the Emergency Farm Mortgage Act, 1933, supplementing existing laws on agricultural credit: authorising Federal Land Banks to issue bonds, with a Government interest guarantee to re-finance farm mortgages directly, or, usually, through farm loan associations; giving power to reduce excessive debts and postpone payment on principal; providing sums for orderly liquidation of Joint Stock Land Banks, or loans to sound ones if they dealt gently with mortgagors; and authorising the Reconstruction Finance Corporation to raise sums for loans to re-finance indebtedness, provide working capital or repurchase property taken by foreclosure. The Farm Mortgage Re-financing Act, 1934, created a special Federal Farm Mortgage Corporation, to re-finance farm debts. The Government guaranteed principal and in-

terest of bonds issued by it up to a given amount. The Act also authorised loans to Federal Land Banks, allowed the Land Bank Commissioner to lend sums for the Corporation, and made available a fund for the Governor of the Farm Credit Administration. The Farm Mortgage Foreclosure Act, June, 1934, amending the Emergency Farm Mortgage Act, 1933, increased the lending power of the Land Bank Commissioner. The Frazier-Lemke Indebtedness Act, June, 1934, gave further relief to farmers, appointing a Conciliation Commissioner. The Home Owners' Loan Act, 1933, for emergency relief for home mortgage indebtedness, re-financing of home mortgages and relief of home (occupying) owners unable to amortise debt elsewhere, supplemented the Home Loan Bank Act, 1932; and sought to stop foreclosures by providing for purchases of home mortgages with public funds. It created a Home Owners' Loan Corporation with capital subscribed by the Treasury from Reconstruction Finance Corporation Funds. The Government guaranteed interest on certain bonds issued by it, exchangeable for mortgages. A further 1934 Act extended the Government's guarantee to the principal of bonds issued and enabled the Corporation to make advances for rebuilding homes, etc. Then a Housing Act was passed to help home owners and stimulate the building trades. It facilitated local banks' loans for repairs, etc.; provided for mortgage insurance; set up mortgage associations; and extended to share and certificate holders in building and loan associations insurance guarantees like those given to depositors in commercial banks under the Federal Deposit Insurance Corporation; all under the supervision of a National Housing Administrator. The Corporate Reorganisation Act, June, 1934, gave a certain relief in regard to corporate indebtedness, mainly depriving bondholders of the power to force a foreclosure. These measures, together with Government control over the Federal Reserve System, and the financial provisions of the Farm Relief Act, gave the Government a strong hold over the

banking and financial system; and over the extension and regulation of the volume of bank credit. Further the Resolution Repealing the Gold Clause made unenforceable any requirement that a public or private obligation must be settled by payment in gold; and said that such obligation could be paid in current legal tender.

The 1935 Guffey-Snyder Coal Act set up a miniature N.R.A. in the soft coal industry; with a National Commission for partial Government control of bituminous coal, provision for agreement on prices, and permission for the Government to buy sub-marginal coal-bearing land to keep it out of production.[1]

The National Industrial Recovery Act (N.R.A.), 16th June, 1933, to operate for two years, provided for the fullest use of national productive capacity. Under it industry was organised under codes; and a vast plan of public works was initiated, and surplus industrial population settled on subsistence homesteads. The "Code" method of controlling industry provided for a wholesale regulation and control of industry, divided up and classified into groups and sub-groups (main groups: production of basic materials from the soil, fabrication of products of the first group into finished products, service industries, ranging from transport to amusements and distribution, wholesale and retail) to prevent over-production, promote order in and co-ordination of industry and eliminate the principle of unlimited competition. The President could impose a Code compulsorily. A Code could not promote monopoly or facilitate the oppression of any group, including workers and consumers, and it must be approved by a body representing the whole industry. In fact, the President took power to compel all business

[1] A Federal District Court, at Louisville, in November, 1935, held that State Governments' manifest impotence to regulate the industry had transferred the right to do so to the Federal Congress by virtue of the general welfare and commerce clauses of the Constitution

A Supreme Court decision, on 18th May, 1936, invalidated the Guffey Act (see p 22). The President initiated, then, a new Bill, embodying those provisions of the Act (e g regarding prices) which the Court decision appeared to tolerate.

enterprises to secure Federal licences without which they would be forbidden to operate. Under Government supervision employers, through code authorities, could experiment in industrial stabilisation, balancing of production and consumption, fixing of minimum prices, and rationalisation on a wide front. Under this Act and later Executive Orders, the Recovery Administrator, with the aid of a National Emergency Council (created by the President to co-ordinate these N.R.A. activities) and a Policy, and various other special Boards and technical and advisory Committees, exercised sweeping powers over industry. Code authorities were given important powers and functions. There was a Consumers' Advisory Board.[1] The majority of the Codes provided for fixing or stabilising prices; and contained provision for using uniform standard methods of cost-accounting. Some provided for limitation of production or productive capacity; and a few restricted the installation of new plant and machinery. A Supreme Court decision in the early summer of 1935, undermined the legal basis of this system, implying that, under the Constitution, Congress could not legislate for the manufacturing industries, which are the States' exclusive concern; and that Federal power to control inter-State trade could not be used in this connection. The President introduced measures for maintaining it in a skeleton form, stripping the N.R.A. of its vital, code-making and code-enforcing functions.

In July, 1935, the Government took power for the Secretary of Agriculture to fix the prices of certain food commodities. Conservation of natural resources was the object of a Bill in January, 1935. The Federal Government introduced an Alcohol Administration to control the manufacture and sale of alcohol and to see that pure alcohol was sold. Tennessee and Alabama have State power commissions regulating electricity rates. A special Government Bill, in 1935, provided for Government

[1] This and the A.A.A. Consumers' Counsel were the first Governmental agencies created expressly to protect the Consumer interest of the U.S public.

control (and ultimately elimination) of holding companies owning companies actually managing public utilities in necessary services or commodities such as the supply of gas and electricity, and which, through their wealth and political influence, and by their financial manipulations, were thought to be very harmful to the public and the consumer. The Bill, when it finally became law, enabled these public utilities companies to be regulated, with provision for dissolution of holding companies under the quasi-discretionary authority of the Securities and Exchange Commission.[1] The N.R.A. subjected transportation of oil by pipe-lines to supervision by the Inter-State Commerce Commission, which had to fix reasonable charges therefor; and enabled the President to seek to divorce from any holding company any pipe-line company controlled by it which tended to create a monopoly, by unfair practices. It also allowed the President—who found that the oil industry was being ruined, because, while the Californian State might attempt legislative control by conserving natural resources other States might increase production—to prohibit inter-State or foreign shipment of oil produced or withdrawn from storage in excess of the quota prescribed by State regulations. In January, 1935, however, the Supreme Court ruled that the oil production control provisions of the N.R.A. were invalid.

Large public works schemes have been executed during the depression. President Hoover's Emergency Relief and Construction Act, 1932, authorised the provision of large sums for public works and direct relief, through the Reconstruction Finance Corporation. Under the Unemployment Relief Act, March, 1933, to provide work on public work schemes, the President appointed a Director of Emergency Conservation Work on 5th April, 1933, aided by an Advisory Council of three Ministers. Men were enrolled in a Civilian Conservation Corps. On 22nd May, 1933, a Director of Emer-

[1] Efforts have been made in the Courts to upset this law. The Baltimore Federal District Court ruled against it on 7th November, 1935.

gency Relief was appointed, under the Administration provided for in the Federal Emergency Relief Act, 1933; there was direct and work relief. On 4th October, 1933, a Federal Surplus Relief Corporation was created to buy surplus agricultural products and distribute them to needy unemployed. It was the agency for the purchase of marginal farm lands and resettling people living thereon.[1] The Federal Emergency Relief Administration co-operated with other Government Departments in financing re-employment offices created in connection with the Public Works Administration's activities and civil works projects. There were public works' provisions of the N.R.A. The President appointed a Special Board of Public Works on 16th June, 1933, the day the Act was signed. A Federal Emergency Administration of Public Works (known as the Public Works Administration) was created, directed by an Administrator with a central Planning Board to plan long-range public works required by the N.R.A., and State Advisory Board. On 9th November, 1933, the Civil Works Administration was established, to find regular work for 4 million persons by 15th December, 1933: special funds were allotted to it. On 6th June, 1933, the National Employment Service Act was passed, and provided for Federal Government operation of a national system of public employment offices, in co-operation with the States. The Emergency Relief Appropriation Act, 1935, provided for a big public works' programme, to put 3½ million persons to work. The Administrator of this Works Programme Administration estimated that this construction work would increase the national wealth by at least $5,000 million. A grandiose plan of public works was prepared in December, 1934; the most revolutionary programme of future economic development ever put forward in the United States, involving expendi-

[1] The Emergency Relief Appropriation Act, 1935, providing, further, for large expenditure on resettlement and huge Resettlement Administration activities, was invalidated in the Court of Appeals of the District of Columbia, on 18th May, 1936 It was a blow aimed at the President's work for housing and resettling the population.

ture of about £21,000 million in twenty to thirty years. This was planned by the National Resources (or National Planning) Board, which urged the creation of a Permanent Central Board of five men as an economic general staff to co-ordinate the public works plans. The President recently put forward a plan for co-ordinating cable and wireless services.

The Federal authority owns the Alaskan Railway. The city of Cincinnati and the State of Georgia own railways leased to private companies. Railway rates were controlled by the Inter-State Commerce Commission under 1906 and 1910 Acts. The Panama Canal Act, 1912, directed the Commission to restrain railway operation or control of competitive water carriers elsewhere than through the canal; and gave it other powers regarding through routes between rail- and water-carriers and maximum joint rates. A 1920 Cummins-Esch Act gave the Commission authoritative power: to approve building extensions or branch lines of railways; to control, prepare and adopt schemes of railway consolidation; and to supervise financial management further. It confirmed Federal, as against State, control of rates; which were regulated according to certain stipulations. The Government was to take a share of "Excess" earnings, to be used by the Commission to help weak lines. This Act resembled the British 1921 Act. Later Railway Users' Regional Advisory Boards were formed. In all the States there are regulatory bodies, such as a Public Utilities Commission or a State Railway Commission, for licensing and regulating road transport in different respects; e.g. public convenience and necessity, rates, fares, etc., sometimes covering passenger and goods carriers and at other times only the former. As the railways were thought to be earning return on fictitious valuation, a 1913 Federal Valuation Act instructed the Inter-State Commerce Commission to determine the physical valuation of each railway on 30th July, 1914, and keep records reflecting changes in property values. In 1917, the Government took over the railways, paying

an annual rental equal to the average net earnings for the previous three years, until 1920. A 1930 Act gave certain regulatory powers to the Federal Body, the Inter-State Commerce Commission, over common carriers by passenger motor-vehicle.[1] Co-ordination and unification of transport methods in terminal areas has been promoted or compelled by various public agencies created by local, State and Federal authority with general and special powers and varying degrees of authority. Most Metropolitan areas have set up planning controls under planning commissions preferably outside the regular administrative and legal machinery of local government. Some of these can insist on compulsory reference of projects to them before final action by the legislative or administrative authority, or even require a two-thirds' or three-fourths' majority vote of the legislative body to secure approval of a project against their advice. Most of them have to approve the opening of new streets. Terminal or Port Commissions have been created for many of the bigger areas—though often their powers are limited. The most comprehensive Governmental organisation is the Port of New York Authority. In certain terminal areas the Inter-State Commerce Commission has powers to promote co-ordination. The Emergency Railroad Transportation Act, 1933, provided for the creation of a Federal Co-ordinator of Transportation, and subjected railway holding companies to the same regulation and control by the Inter-State Commerce Commission as the railways themselves. The Co-ordinator would be instructed to form three groups of railways, each with a Co-ordinating Committee. He could compel co-ordination and reorganisation as he thought fit. In January, 1935, he submitted a report to Congress, providing for a comprehensive plan of Federal regulation of all forms of transportation on land, sea and air. A reorganised Inter-State Commerce Commission would be the supreme agency, comprising sixteen members, representing railways, water, motor and air

[1] See British Royal Commission on Transport, Minutes of Evidence, 1929.

carriers and pipe-lines. It could extend to the Panama Canal. There would be large-scale unification, with provision for fines to enforce the Commission's orders; and a Federal Co-ordinator of Transportation. An Act for Federal regulation of the Inter-State Motor Coach and truck traffic was passed in 1935. Forty-one States had legislation providing for zoning, whereby the use of land can be regulated by public authority. In August, 1935, a Congress resolution on the occasion of the Italo-Abyssinian conflict, provided for the creation of a National Munitions Board, composed of certain members of the Cabinet, and a licensing system for the manufacture and export of arms and munitions under the Board's supervision.[1] A Reindeer Council of Five administered the Alaska Reindeer industry.

OTHER COUNTRIES

China

Since its establishment, in 1927, the National Government has created a National Highway Commission to co-ordinate local and provincial road building. It has formed co-operative societies, and agricultural institutes for farmers, subsidised various rural enterprises and encouraged sericulture and co-operative filature schemes. In March, 1935, the Government associated the three leading banks in a plan of Government control of banking and economic development. These banks were the Bank of China, Bank of Communications and Central Bank of China (State-owned). In November, 1935, the Government instituted a sweeping measure of financial and currency control, comprising an independent Central Bank and an Exchange Equalisation Committee controlling nationalised silver reserves and Government Banks' foreign exchange activities. In 1935, also, General Chiang Kai-Shek's economic reconstruction programme envisaged Government aid in promoting: agricultural development, by regulating rural finance, organisation

[1] On 23rd September, 1935, the State Department created an Office of Arms and Munitions Control as part of its administrative machinery

of co-operative societies for distribution and transport of agricultural products and other purposes, and rural credit, industrial development; land reclamation; regulation of consumption and transport.

Egypt

Since 1923, the Minister of Agriculture has encouraged, and guided by inspectors, rural co-operative societies, of which there are now a vast number. The Ministry makes advances in cash or fertilisers and seed. Arrangements for hiring out tractors and for joint sales of cotton and sugar have been made. The Government also has made advances to individual cotton growers.

Indo-China

In 1933, the Government arranged to pay export bonuses to sisal planters.

Iran

The Government's work of industrial and economic organisation, which has been proceeding for three years, has tended to strengthen Government control of national economic life. Many commercial companies have been created, for example, for metal production, insurance, the silk, sugar, tea and opium trades, depending directly on the National Bank or the Bank of Agricultural and Industrial Credit, which are under the Government's wing. The Government has a formal monopoly of foreign trade and various full or partial monopolies in home industry and commerce. The National Bank aids town planning, through loans. In 1931 the Government created a State monopoly for all export and import trade. Licences could be given for imports to private individuals and concerns, provided an equal value of exports corresponded to all imports made.[1]

Manchukuo

The Government has developed a plan of State con-

[1] See *L'Institution du Monopole du Commerce extérieure en Perse,* by A A. Amini.

trol of industry; for example, the 1934 Oil Monopoly Law provided for purchase of private interests and control of the whole oil industry.

Siam

In 1934, the Government adopted a plan of economic development, to be directed by an independent currency board and involving many public works. It proposed as necessary to start industrial enterprises on a large scale under its control.

(*d*) *Competition with Private Enterprise*

The State and other public authorities in many cases compete with private enterprise as a form of collective intervention. Some public undertakings have been created deliberately to compete with private ones with a view to driving them out of business, reducing their charges or forcing them to make terms with the public authority. This method is not appropriate in every case. Sometimes it would be wasteful to sink further capital in an industry, e.g. railways. The co-operative movement is a form of competition with private enterprise.

Here are a few examples of collective undertakings competing with private enterprise.

BRITISH COMMONWEALTH

Great Britain

The 1934 Bill amending the 1926 Electricity Act enabled the Central Electricity Board to compete with companies supplying it with current. The Report of the Special Committee on the British Broadcasting Corporation, in March, 1936, advocated public control of relay exchanges. This form of collective ownership would involve public competition in manufacturing wireless equipment as well as in giving service.[1] Municipal

[1] In the House of Commons' debate on the Ullswater Report, Major Astor praised the competition of the B B C Orchestra with private orchestras The former, he said, was "one of the best in Europe" and "a national asset" (*Hansard*, 29 4 36, c 998)

authorities compete with private enterprise in certain directions. For example, in 1936, Croydon Corporation proposed to sell electrical appliances in competition with private traders.

Australia

The Commonwealth Bank was formed to compete with private banking services; and the Commonwealth Shipping Line was instituted to bring down the charges of private shipping companies. Certain State insurance schemes enter into competition with private insurance companies: for example, the Queensland Workmen's Compensation Scheme. The New South Wales State Electricity Commission competes with private enterprise in selling electrical appliances.

Canada

The Ontario Hydro-Electric Power Commission has competed with private electricity concerns, forcing down their charges. Winnipeg has a municipal electricity plant competing with private enterprise. The National Steamship service to the West Indies competed with private shipping companies.

EUROPE

Belgium

As in certain other countries—such as Switzerland—the Postal Cheque System competes with facilities offered by private banks.

Germany

In Prussia, the State fire insurance concerns compete with private enterprise.

Hungary

The State Railways own an Automobile Transport Company, a tourist and advertisement agency, a stone quarry, a liquid gas-works, an oxygen manufacturing

concern and a wagon repair works, which compete with private enterprise.

SOUTH AMERICA

Argentine

The Chairman of the Central Argentine Railway, on 17th October, 1935, complained of the growing competition of State-owned lines, stretching out towards the Federal capital as a means of producing an adequate reduction in transport tariffs.

UNITED STATES

In 1934, the President arranged to lend Federal funds to New York City and other municipalities to build municipal power plants and distributing systems; if it were found that they could operate more cheaply than private companies. A plan for building in New York City, with the aid of the Public Works Administration funds, was prepared—to be financially aided by a Federal loan at a very low rate of interest. An appeal was made to the Supreme Court to stop the Public Works Administration from making such loans for municipal competition with private enterprise. In its Tennessee Valley scheme the Government introduced large-scale manufacture and sale of fertilisers and fertiliser chemicals in competition with private industry.

(*e*) *Aid to Private Enterprise*

Another form of collective intervention is the rendering of financial aid to private undertakings in distress; for example, by way of public guarantee, loan or subsidy. This has happened on a very large scale during the depression, especially in the United States. Many States give shipping and air subsidies.

Here are a few examples of such aid.

BRITISH COMMONWEALTH

Great Britain

The Government has rendered, and still renders

important aid to private industry. Such assistance has been given, for example, under the Trade Facilities Acts, the recent beet sugar scheme and the Railway Finance Corporation. In 1934, the Government announced a one-year scheme for subsidising tramp shipping if ship-owners formulated a scheme for making the industry more efficient, satisfactory to the Government. It proposed to appoint a Tramp Shipping Advisory Committee to advise it on the administration of the subsidy. Government financial help would be given to owners wishing to take advantage of recent improvements in ship designing and who, for any new tonnage to be built, would scrap a greater quantity of older tonnage. The Government also asked owners to scrap and not sell unprofitable ships. Ship-owners submitted a scheme for the better organisation of the industry, which the Government accepted. The intention was to form a Tramp Shipping Administrative Committee, to consult with the Subsidy Committee, of twelve members chosen by various shipping committees, which would, with subcommittees for various particular trades or purposes, actively promote co-operation among owners. In October, 1935, the Government offered, through the Overseas Trade Department, guarantees of payment in sterling to exporters, as a protection against exchange and other risks in trading. Imperial Airways has received subsidies and allowances; and, in February, 1936, British Airways got a subsidy for a service to Sweden. Deficiency payments, for wheat, are made to farmers.[1]

Australia

The State has acquired large areas of land for closer settlement and for provision of land for discharged soldiers.

[1] On 7th April, 1936, in answer to a question in the House of Commons, the Financial Secretary to the Treasury said that from October, 1931, to 31st March, 1936, the Exchequer paid about £24 million to the agricultural industry; and, in addition, total deficiency payments under the 1932 Wheat Act for the four cereal years ending 31st July, 1936, were over £24½ million. To 31st March, 1936, about £2 million were paid to tramp shipping as subsidy; and £495,000 advanced for shipbuilding under the 1935 British Shipping (Assistance) Act

India

In July, 1935, the Government sanctioned a national scheme of rural reconstruction, to improve the financial position of cultivators through projects which local Governments could not undertake, with Government help. The scheme covered economic development, public works and the financing of the co-operative movement under Government supervision. In January, 1936, the Government proposed to subsidise Indian National Airways.

EUROPE

The Italian, French, Dutch and German Governments give important subsidies to tramp shipping. In Norway, the State had a special fund for supporting shipping by means of loans.

France

Considerable State support has been given to agriculture. Large State subventions have been made for the construction of rural electricity distribution mains. A prolongation of the 1934 Tasso Law extending the system of State subsidies for shipping was foreshadowed by the Government in February, 1936. A State grant enabled the liner *Normandie* to be built. The national air transport organisation receives large State subsidies.

Germany

The State has rendered large services to various branches of industry since the Great War: a recent example was the payment of the Hamburg-Amerika and North German Lloyd Shipping Companies' bank debts, in April, 1936.

Italy

Large State subsidies are given to the national air transport organisation.

Netherlands

In October, 1935, the Government offered to lend the Shipping Company the amount necessary to build a sister ship to the *Statendam*.

Switzerland

The Post Office, Federal Government, Cantonal and Municipal authorities subsidise air transport services; and the Federal Government subsidises broadcasting. The Federal Government and the Berne Cantonal Government subsidise and give an interest guarantee to the Lotschberg Railway Company: in return they get a certain control.

UNITED STATES

During the economic crisis the Government arranged for financial aid to private enterprise on a colossal scale. In particular, the Reconstruction Finance Corporation made advances to railways, banks, trust companies, insurance companies, building and loan associations, regional agricultural credit corporations, Federal Land Banks; and also made crop loans to farmers, bought stock in Home Loan Banks, advanced money for self-liquidating construction projects, for emergency relief and for financing the marketing of agricultural commodities produced in the United States. It also made loans to mortgage holders agreeing to forego rights of foreclosure on farms and urban residences. It introduced schemes for establishing intermediate credit banks to provide long-term capital for industries, forming a link between the Federal Reserve Banks and the industrialists. The banks were to lend to financing corporations of various types for re-lending to industry—if necessary direct to establish businesses. They were to operate under the Federal Reserve Board and be empowered to open branches. The Treasury was to subscribe the original capital for the banks. Further schemes provided for direct loans to industry by the Federal Reserve Banks, with the establishment of

industrial advisory Committees in each Federal Reserve District to advise on prospective loans. The Government subsidises the shipping industry by means of construction loans and mail contracts; and also aids Pan-American Airways.

(f) Co-operative Undertakings

Another form of collective intervention is found in various branches of the co-operative movement. In this category come first the large consumers' co-operative organisations.[1]

During the Great War, most belligerent, and many neutral Governments used the consumers' co-operative movement as a channel for distributing provisions bought by the State, or requested them to counter rises in prices. The Russian Government, after the Revolution, at first sought to make it the sole means of distribution within the State; but, in 1921, under the new economic policy the co-operatives resumed an autonomous existence, and compulsory membership was abandoned—though they continued to play an important part in disposing of the products of State industry and in supplying the urban centres with agricultural commodities.

This consumers' co-operative movement has developed strong national organisations (and an international organisation); and the national organisations have developed wholesale societies and direct productive undertakings—in some cases including exploitation of raw materials, and (without much success) direct agricultural production (in Great Britain and Switzerland).

Consumers' societies have developed savings and banking departments; chiefly out of the accountancy work of their wholesale societies (even though, as in the case of the English C.W.S., such a banking department

[1] It is interesting to observe that in Germany (as also in Austria, Switzerland, Czechoslovakia and France), the individualistic, small private retail traders, developed a form of co-operative organisation of their common stock. In Germany, in 1923, these united in a federation of co-operative societies of small merchants (Edeka), with, *inter alia*, a purchasing centre, and a publishing centre

may be a practically independent organisation it is still within the C.W.S.). In France, however, the banking department is quite separate from the Wholesale Society.

Various urban co-operative credit societies supply small merchants, industrial workers and artisans with credit. In France, *banques populaires*, under a 1917 Act, must divide annual profit among depositors in proportion to business transacted, and not according to the interest which they have received.

Apart from industrial undertakings run by consumers' societies, several forms of co-operative production have been evolved. Thus there have grown up artisan co-operative societies, which do not organise work in common, but arrange common utilisation of apparatus for certain operations, provide credit, purchase raw materials and tools or arrange marketing. Artisan societies developed most in Germany, and also in Belgium, Czechoslovakia, and France (since a 1923 Act was passed). Productive co-operation proper, which has not been very successful, developed chiefly in France.

A diversified movement of agricultural co-operation has grown up, covering mainly marketing, and also purchasing of agricultural requisites, formation of co-operative dairy, bacon, and other producing societies, and provision of rural credit and insurance. Co-operative marketing mainly characterises countries producing primary commodities for export; and the other forms, those countries producing chiefly for home consumption. All forms, however, exist in most agricultural countries. This movement has received a good deal of State (particularly financial) aid. Thus, for example, State aid has been given to the co-operative wheat pools' organisation in Canada; and special U.S. legislation (in 1923 and under President Roosevelt) has given co-operative marketing societies much help. In Bulgaria, the State has even called in the aid of the League of Nations' Financial Committee to improve its organisation. In certain cases the State has compelled (by legislation) co-operative marketing, where a majority of producers

in the branch of agriculture concerned favoured co-operative organisation. A special form of this was initiated in Queensland by a 1922 Act.[1]

In New Zealand, too, legislation has promoted co-operative marketing.[2]

There is, of course, considerable agricultural co-operation in Europe; but in overseas countries large-scale co-operative control of marketing and export has occurred, especially in the United States, Canada and Australia. This is perhaps the most significant feature of recent agricultural co-operative development.

Consumers' societies have entered into direct relations with agricultural co-operative societies; enabling the former to buy farm produce and the latter to purchase from the former fertilisers, seed and agricultural implements, as well as food. Sometimes agricultural and consumers' societies have formed a mixed society, with joint and equal supply of capital and sharing of control and profits.

Central co-operative marketing associations for marketing one commodity (or a small group of closely related commodities) have been built up in the United States, federating local co-operative associations of growers; especially for live stock, cotton, grain, fruit, vegetables, and wool. In 1930, it was estimated that the comprehensive National Chamber of Agricultural Co-operatives would have a membership of 2 millions out of the 6 million farmers enrolled in 12,500 co-operative marketing organisations, marketing produce and purchasing supplies. This movement has received much assistance from the Federal Government.[3]

In Canada, there has grown up the huge wheat pools' organisation, to control the marketing of wheat, with ownership of terminals and elevators. Moreover, these three provincial co-operative wheat pools, of Saskatchewan, Alberta and Manitoba, formed a central selling

[1] See pp 278–9 Cf British Agricultural Marketing Legislation (1931 and 1933), which embodies this principle to some extent.
[2] See pp. 285–7.
[3] See pp. 316–19.

organisation.[1] In addition, there are producers' pools for marketing coarse grains, live stock, dairy produce (especially in Ontario and Quebec), fruit and vegetables (especially in Nova Scotia, Ontario and British Columbia), honey, wool, fisheries and tobacco; together with farmers' co-operation for fire and other insurance purposes (Manitoba).

In Australia, co-operative wheat pools developed out of a compulsory wheat marketing scheme initiated by the Commonwealth, New South Wales, Victoria, South Australian and Western Australian Governments during the Great War, in 1915–16. This latter ended in 1922; but then, under State Governments, the pooling of the export of the wheat surplus was continued on a voluntary basis; with (except for Victoria) a central agency that received and marketed all wheat exported by these State pools.

South African fruit (and other) growers have developed a strong co-operative marketing organisation.

A vigorous co-operative marketing movement for various commodities has been developed in the West Indies, particularly in Jamaica, with State aid.

Co-operative societies also participate with the State and Municipalities in various undertakings.[2]

(g) *Barter*

One of the most striking features of the depression has been the growing practice of barter within many countries, in an organised form.[3]

In Paris, at one time, numerous artistes exhibiting at the Académie d'Échange (the mart at the Porte de Versailles) gave pictures: to a plumber for fitting up a

[1] For a time selling agencies in Europe were maintained

[2] Cf, for example, pp 226–7 (Hungary), p 233 (Rumania), and pp 291–3 (Czechoslovakia)

[3] The economic significance of this experience, and a striking plan for national (and international) organisation of production and exchange to combat unemployment, with the aid of special purchasing certificates, have been urged by Edgard Milhaud (op cit) Cf also M Jouhaux's plan for financing public works by Employment Bills, put forward in May, 1936—in Paris.

bathroom; to a lawyer for services rendered in a lawsuit; to tradesmen for goods. The movement was perhaps most spectacular in the United States.[1] At Louisiana University fees were paid in goods. On the prairies of North Dakota subscriptions to weekly newspapers, club dues and school tuition fees were paid with wheat; and millers accepted grain for grinding wheat into flour. In 1933, estimates as to the number of people in the U.S. earning their subsistence through barter exchange organisations, mainly organised by the unemployed, inspired by the idea that money is neither real wealth nor an absolute necessity for trade, varied from one to two million. Exchanges existed in California, Washington, Oregon, Denver, Minneapolis, Idaho, Montana, Utah, Texas, Oklahoma, North Dakota, Iowa, Wisconsin, Illinois, Indiana, Michigan, Ohio, Pennsylvania, New York, Connecticut, New Jersey and Georgia. The largest and most extensive exchange organisations were found in the Far West, in the four Rocky Mountain states of Idaho, Wyoming, Utah and Arizona, where the movement grew out of the virtual collapse of the four basic industries, which inflicted crushing burdens upon mine-owners, sheepmen, cattlemen and farmers, who were unable to sell their surplus products. In the harvest season of 1931, some business men in Salt Lake City (Utah) established a small exchange bureau to promote a direct exchange between the surplus labour of the jobless and the farms' surplus produce. The idea spread rapidly to include all the trades and professions; and, for example, barbers, painters, doctors and dentists were organised and put in contact with unemployed workers who exchanged food for their services. By January,

[1] See, *inter alia*, *The New Republic*, 4 1 33, "The Meaning of Barter Exchanges", pp 202–3, and "Back to Barter", by Murray E King, pp 211–13; *National Municipal Review*, March, 1933, "A Million Men return to Barter"; *Monthly Labour Review*, March, 1933, "Co-operative Self-Help Activities among the Unemployed"; *The Commercial and Financial Chronicle*, 31 12.32, pp. 4497–8, *New York Times*, 31 12 32, p 16, and 16 1 33, *Industrial and Labour Information* (I L O Weekly), Vol. XLV, pp. 11–12; *Daily Herald*, 25.1 33, and 14 11 34, *The Times*, 24 3 33, and *The Annals of Collective Economy*, 1932–5

1932, the exchange business had grown so much that the system was organised into departments along modern lines; and was named the Natural Development Association. It grew even more rapidly: representatives of almost every kind of labour, trade and profession joined it; branches were formed throughout Southern Idaho. In July, 1932, scrip was introduced as a medium of exchange among members of the organisation. The Association had 16 major kinds of commodities for exchange, operated 15 distinct health services and listed 103 kinds of unskilled labour, services and trade: all could be bought by scrip, which was used so generally that many theatres and stores accepted it instead of cash, and which more than 150 local merchants and other business establishments outside the organisation gladly accepted for their services and products. The Association produced many thriving branches in Utah, Idaho and Arizona, and in Wyoming a similar organisation, the Producers' and Labourers' Supply Company, was formed: it had several branches. The Association dealt directly in such varied things as tyres and tools, bread and pastry, meat and produce, clothing, new and second-hand furniture, radios, live stock, coal and hay. It ran a barber's shop, a beauty parlour, and supplied health services of all kinds for its members. It operated canning factories, a tannery, a small oil refinery, a coal-mine, a sawmill, a small soap factory, a fruit-drying plant, and a sewing department. A Salt Lake City Music Firm sold to the Association's furniture department 40 or 50 pianos and thousands of dollars' worth of radios for scrip. The question arose as to the possibility of applying the method of the exchange movement, i.e. balanced sales and purchases through a Central clearing house, to produce industry of all kinds. President Morgan, of Antioch College, then organised the Mid-west Exchange to enable manufacturers and other producers to get raw materials, labour, technical research and other essential goods and services, in exchange for their products. This was a non-profit corporation, with

many member firms, which paid operating expenses by charging a commission on exchanges that it carried through. It differed from the Natural Development Association, which was trying to develop capital facilities under its own operation and ownership and had identical producers and consumers, in that it was a distribution service for functioning business firms. The Mid-west Exchange opened a local exchange in Yellow Springs, Ohio, to serve as a consumer outlet. On 5th December, 1932, the Associated Press said that the principles involved in the use of this "Substitute Currency" provided by a Joint Stock Corporation in Yellow Springs, had intrigued economists so much that Dr. Irving Fisher, of Yale University, visited this locality to study the system and gave it an endorsement. In California and Washington, as well as in Utah, the development was such as to compel the incorporation, by the participants in barter, of state organisations to administer their mutual interests. In California, the State-wide organisation had the co-operation of the State Food Administration in exchanging food and large numbers of unemployed lived by means of this system. On 31st December, 1932, it was estimated that there were 140 separate exchanges operating in 29 States and the progress of the movement was summed up by J. Douglas Brown, of Princeton University, before the American Statistical Association, in December, 1932.[1] In October, 1932, was incorporated the Emergency Exchange Association, which proposed a nation-wide barter system with a substitute money operating parallel with the existing economic system based on the gold standard. It was promoted through J. K. Clark, President of the State Board of Examiners. Guided by a Board of Directors of prominent economists, engineers, lawyers and consultants, and with the support of philan-

[1] An interesting form of barter occurred when R J Corlett & Sons, coal and lumber dealers, Battle Creek (Michigan), allowed customers with unpaid bills to work them out by wrecking the old plant and building a new one. Some new customers even established credit that way!

thropic agencies, civic and religious societies, relief bodies, bankers and business men, with headquarters at 52, Vanderbilt Avenue, New York City, provided by the Heckscher Foundation, it proposed to arrange for the separated groups of unemployed, organised in local barter systems, to exchange goods and services from locality to locality, from the agricultural raw materials of rural districts to the finished manufactured goods of the city, without the use of money. It sought to bring the unemployed into a working relation with unemployed equipment and materials, acting as a clearing house for the multiple barter systems.[1] On 15th January, 1933, a Memorandum was issued at Princeton, N.J., by leading economists and relief workers from all sections of the country, entitled *Emergency Exchanges for the Alleviation of Unemployment*. The signatories included the following: Frank Aydelotte, President of Swarthmore College; Paul H. Douglas, University of Chicago, former technical adviser to N.Y. State Unemployment Relief Committee; Irving Fisher, Yale University, former President of the American Economics Association and of the American Statistical Association; Frank D. Graham, Princeton University, former adviser to the Federal Farm Board; Otto T. Mallory, Philadelphia, member of President Hoover's Emergency Committee for Unemployment; Jacob Viner, University of Chicago; Joseph H. Willits, Dean of the Wharton School of the University of Pennsylvania, member of President Hoover's Emergency Committee for Unemployment and adviser to Philadelphia and Pennsylvania Unemployment Committee;

[1] The Chairman of the Executive Committee was Leland Olds, Asst Chairman, N Y. State Power Authority, and his associates on the Executive Committee were John Carmody, President, Society of Industrial Engineers and Editor, *Factory and Industrial Management*, and E Angell, Attorney Mr Olds said the Association attempted to deal with a condition, not with a theory, and was "opportunistic" in its policies The executive director was J. Baker, industrial engineer, assisted by E Lonigan, ex-Chief Statistician, New York State Labour Department Other directors included, Stuart Chase, Economist, J Myers, Industrial Secretary of the Social Service Commission of the Federal Council of the Churches of Christ in America, and Dr F D Graham, Economist, Princeton University

and Leo Wolman, Columbia University, member of President Hoover's Emergency Committee for Unemployment. The Memorandum said that emergency exchanges were operating successfully in many parts of the country; and that many people believed that such measures would provide work almost immediately for large numbers of unemployed. Therefore the signatories agreed:

> That States Governments should be urged to investigate the possibility of facilitating the interchange of goods and services among unemployed workers by means of a system of emergency exchanges. That, more particularly, the President of the United States should be asked to appoint a special committee of relief administrators, industrial, commercial and labour executives, Government officials and economists to investigate the feasibility of such emergency exchanges and to serve as a clearing house of information as to the best practice in their establishment and operation; to request the Reconstruction Finance Corporation to consider the desirability of permitting States to use a reasonably restricted part of the loans granted by the corporation for unemployment relief to make advances to properly established emergency exchanges; and to call a conference of executives in industrial, commercial and merchandising enterprises to consider and, if deemed proper, to encourage the co-operation of such enterprises in developing such emergency exchanges.[1]

A nationally organised scheme, in fact, was begun by the Hoover Government[2] and carried on by President Roosevelt. Large stocks of surplus cotton and wheat were handed over to the American Red Cross for distribution, to the needy and distressed in the 48 States, of clothing and food. It arranged for millers to make flour and for cloth to be made and also clothes and bedding from cloth in exchange for wheat and cotton—all, therefore, on a barter and non-profit basis, and on a huge scale. Towards the end of 1934, it was stated that President Roosevelt and Miss F. Perkins, U.S. Minister of Labour, were considering a huge nation-wide scheme for sustain-

[1] See, also, Weishaar, W., and Parrish, W. W.: *Men Without Money, the Challenge of Barter and Scrip*, New York, 1933.

[2] The largest barter transaction known to recent history.

ing millions of unemployed on this barter-exchange basis, instead of paying them actual money.

In Canada, in August, 1935, in the town of Eatonia, Saskatchewan, main streets were improved on a barter basis. Farmers indebted to merchants hauled gravel, merchants had their tax arrears credited with the equivalent of the services of their farm debtors, and local authorities got their streets improved: all without any money changing hands.

Great Britain has not remained entirely outside this experience. Suggested, perhaps, by the Brynmawr experiment in South Wales,[1] in 1933, in the rural district of Upholland, near Wigan, an experiment was started to test the feasibility of a collective and balanced scheme of production by a group of unemployed and of a workable scheme of distribution for exchange within the group. The members of the group, in return for their allotted tasks, were credited with the number of hours worked; the commodities produced going to a common store and being priced according to the number of hours worked in producing them, and the cost of seeds, etc., used, labour being remunerated by labour.[2] Another scheme, along somewhat similar lines, is that undertaken by the National Homecroft Association on its estate near Cheltenham, where, since 1926, Professor J. W. Scott, applying the economic theory of the late C. B. Phipson, has endeavoured to find out whether unemployed can be settled on the land and be self-supporting, living without selling most of their produce.[3] The Homecroft technique

[1] Of voluntary productive work done by the unemployed. See, for example, the *Birmingham Post*, 2 8 33.

[2] See *The Times*, 6.11.34, and *Daily Herald*, 7.11 34 The development of this scheme and of a similar one in the Eastern Valley of Monmouthshire by a Society of friends, inspired by Peter Scott, is described in *The Times*, 2.10 35, "Production for Use" (by its Labour Correspondent)

[3] See its 1924 booklet and *The Times*, 6.3 34, and 6 11 34. See, also, *The Times*, 7.8.34, "A Paradox of Progress Wageless Men as Buyers The Phipson Plan", by Professor J. W Scott, letters to *The Times*, by W. L. Hare (13.8 34) and Professor J W Scott (31 8.34); and *The Times*, 6 3.34, "Unemployed on the Land Self-support Scheme near Cheltenham", and a lecture by the Dean of Canterbury at the Autumnal Assembly of the Congregational Union of England and Wales, *Croydon Times*, 29.9.34

is one of "barter exchanges within the self-subsistent group".

The principle is simply that the whole group working together tills all the land and plies all the crafts, in whatever spare time is available. The members barter their products with one another; their potatoes, vegetables, flour, boot repairs, socks, clothing, eggs, jam, pickles, and as many more of the essentials of life as there are people to produce Bartering them means simply that they put them all into a common pool and buy them out again.[1]

(4) *The Significance of Certain Forms of Collective Intervention*

This glance at the experience of collective intervention in various parts of the world and this analysis of the different forms of such intervention may usefully be completed by a brief commentary upon the significance of some of these forms.

(*a*) *Public Aid to Private Enterprise*

Inability to stand the strain of the competitive capitalist system, especially during an economic crisis, has driven many private undertakings to ask for public financial aid. Agriculture has needed loans, mortgages, credits and subsidies. As recently as August, 1935, the French Government had to make advances to farmers against the current wheat harvest. Private railways in many countries have needed guarantees against deficits, and help in making extensions. Shipping everywhere has demanded State support. Banking crises in recent years have been withstood only through State intervention—just as on the occasion of the outbreak of war in 1914. In Japan, in 1932, silk industrialists besought the Government to assume all losses for several years' operations and allow the industry to make a new start free of debt. They wanted the Government to assume silk and land debts amounting to 2,000 million yen. These facts indicate how inexact is the assertion of the protagonists of a system of free competition and uncon-

[1] *The Times*, 25 1.35, article by Professor J. W. Scott.

trolled private enterprise, that prosperity and capacity to stand firm are characteristic of private enterprises.

Such State help should never be given without, at least, a return of some kind for the State; which should have compensating advantages for help given. When the State gives financial help for industry and trade, enabling economies and improved trade to be realised by private enterprise, the State should obtain shares in such concerns or some form of control.[1] In return for the help given by the British Government in the rationalisation of basic industries the State should get a share in ownership and control of these industries and representation on Boards of Directors, with adequate control over labour conditions and prices. This principle was embodied in the Air Navigation Bill; when, in Committee, in May, 1936, Sir Philip Sassoon accepted an amendment stipulating that, as a condition of a subsidy, the Secretary for Air should be entitled to appoint State representatives on the Board of a subsidised company. He said that this power already was held and had been exercised by the Secretary for Air. The State certainly must demand efficiency in such circumstances;[2] and has done so in the case of the British iron and steel, beet sugar and shipping industries. In certain countries important advantages have accrued to the State in return for such help, such as a share in profits and the right to purchase at stated times, on good terms; this has happened particularly in regard to airways. Such advantages accrued particularly in Germany during the inflation period; where, not only the Reich and States but also Provinces and Municipalities, in return for guarantees, loans and subsidies, received shares in numerous and varied undertakings;

[1] The New Zealand Prime Minister on 16th April, 1936, said that if his Government gave financial aid to British shipping in the Pacific it would require to exercise some measure of control "Where the Government's money goes the Government will want to have some say"

[2] Cf *The Times*, 4 7.34, leading article "Nor is it conceivable that any Government would grant a subsidy without imposing conditions of efficient reorganisation" This was a comment on the British Government's scheme to aid shipping

and public authorities obtained a firm footing in many branches of industry enabling them, with the aid of purchases of further interests later, to increase their power and control.[1] Large Stinnes concerns were acquired in this way. As in Germany, the State might well concentrate the most important of these holdings in one special organ.

In Italy, when the Coal Institute grants loans or subsidies to coal-mines, it must hold at least a majority of shares. A French Decree, of November, 1935, provided that all companies enjoying State support in future should be under close State control, with a State representative on the various Boards of Directors, with access to documents.

This method might well be used, deliberately, as a means of starting a large measure of collective intervention, and even of collective ownership. Unhappily, advantage is not always taken of this possibility.

The U.S. experience is particularly suggestive of what could be achieved in this direction. When the Reconstruction Finance Corporation made enormous advances, running into thousands of millions of dollars, to various banking, commercial, industrial and agricultural undertakings, in return, in most cases, it took Stock Exchange securities or other assets as security for the money advanced on loan. It thus was able to obtain control of various essential industries and financial concerns to help it in planning economic reconstruction and rationalisation. Its stock holdings enabled it to control the policy of banks, financial institutions and industrial concerns of which the banks held securities, and which were supported by the Government. The various institutions had to repay their loans and redeem the securities or the Government could foreclose and sell or acquire the concerns. Such Government holdings also naturally gave the

[1] When the Government paid bank debts of the Hamburg-Amerika and North German Shipping Companies in April, 1936, it became the biggest shareholder in both companies Three Government directors were appointed to the Board of the former company.

Government an important say in the operations of the Stock Exchange.

This method of collective penetration of private undertakings can be used in the period during which there is inadequate public support for larger measures of collective ownership and control.

It should not be forgotten, moreover, that very great services are rendered to agriculture and industry, as to economic and social life in general, by public works, such as irrigation, land reclamation and electric power development, especially in such countries as India and Egypt; for which the State gets no return—except, perhaps, an increase in potential taxable capacity.

(*b*) *The Company Form of Collective Enterprise*

It has been seen that public authorities have adopted, quite widely, the company form for industrial undertakings which they own or control, especially in Germany. Municipalities have resorted to it. In Belgium, Municipalities used it for some unique, co-operative, intermunicipal light railways. It has been used a good deal by German Municipalities—and is in use in Italy. This form removes the day-to-day administration and domestic policy of the undertakings run by the State from constant questions in Parliament and from purely bureaucratic delays. It gives Boards of Directors more responsibility and opportunity to take risks. There is much to be said for it; for it is highly desirable that as much autonomy and freedom as possible should be given to those responsible for industrial undertakings, who should be technically competent persons chosen for their business capacity and not because they have exhibited political loyalty or enthusiasm. The old form of nationalisation and direct State management and control of industrial undertakings often failed to free itself from purely political influence in technical questions. Certainly, on broad questions of policy, Government political decisions must dictate action; and public control, at stated periods, must operate as a check and as a supervisory force. In the

interests of economic progress, however, it is highly desirable that competent directors of such undertakings should be free to initiate developments and to exploit the undertakings to the best advantage. This is not to imply that always direct State or other public administration of industrial undertakings is a failure. On the contrary, very many services, such as the Post Office, are remarkable illustrations of the efficiency of State administration. Experience over a very wide field, however, has pointed to the wisdom of some departure from the old form of organisation of such undertakings as a general rule.

Another strong reason why, in some cases, for example in Austria, this form was utilised, was that, in a world dominated by private enterprise, the State and other public authorities felt that it was necessary to resort to the business and technical methods of private firms—and in so doing these companies, especially in Germany, have amply proved their capacity to administer such undertakings successfully.

(*c*) *The Public Corporation* [1]

In countries like Great Britain, where the company form of collective enterprise has not made an appeal, it appears that the form of organisation for public industrial undertakings may be that of the Public Corporation, like the British Broadcasting Corporation, the Northern Ireland Transport Board and the proposed New York Board of Transport Control. The B.B.C. was set up in 1926 to take over the former public utility undertaking, the British Broadcasting Company.[2] The British Government accepted the report of a Committee and was opposed to control by a body representing particular interests and to administration by a State Department. It preferred the creation, by Royal

[1] See, *inter alia, The Listener*, August, 1931, for an interesting series of articles, "New Types of Business Organisation", in particular the issues on 5th and 12th August, 1931

[2] See *Hansard*, House of Commons Debates, 15 11 26.

Charter, of an independent body of trustees, with a licence and agreement between the Postmaster General and the newly created Corporation. Such a body, it was held, would possess greater flexibility and more freedom than a Minister of State could have. The Postmaster General was, of course, to control broad questions of policy, but not day-to-day details of working. He would answer in the House of Commons questions on the former; but the Corporation would answer questions on the latter. The Corporation was given full authority, subject to the reservation of this measure of State control, and, of course, to the right of the Government to assume full control in a national emergency. It was given monopolistic powers; and the State arranged to take a certain amount of its revenue. As already mentioned,[1] the recent report of a Committee on the B.B.C. advocated a continuation of these principles.

In 1926, this form was welcomed by Mr. William Graham, speaking as a Socialist M.P., in the House of Commons. It has been resorted to by Conservative Governments, as in this case. It is advocated by Labour, Liberal and other political groups.[2] A distinguished American Socialist[3] thinks that social property in the future will have the appearance of semi-autonomous

[1] See pp 205–6.

[2] See, for example, *The Next Five Years*, which also makes suggestions for transforming into "Public Concerns", undertakings with *de facto* monopoly powers the Companies Act being amended to allow a new type of company Any Joint Stock Company with assets above a stated figure, and certain others controlling over 50 per cent of an industry's activities, at the Board of Trade's discretion, could be classed as Public Concerns, in regard to which there would be full publicity, State auditing and public representation on a Supervisory Council. See also Mr Lloyd George's proposals, the pronouncements of "P E P"—in the *Daily Herald*, 28 4 33, a representative said that it believed that the form of Chartered Corporation would be appropriate for the government of British industries, with labour representation on the Board, the Trades Union Congress plan for an Iron and Steel Corporation; and Mr Herbert Morrison, M P 's, support, for example, in an address on "Some Problems of Socialisation", to the Fabian Summer School, at Farnham (*Forward*, 12 8 33), in his book, *Socialisation and Transport*, London, 1933, and in his speeches on the London Passenger Transport Bill, 1931, and on the subsequent 1933 Bill

[3] H W. Laidler see *Revue économique internationale* (February, 1931), p. 257.

public corporations, directed by an Administrative Council chosen, with an eye on the essential tasks to be accomplished, by them from among consumers, technicians and qualified workers. In America, he says, Socialism finds already such bodies preparing the way for it—formed by economic necessity, such as the New York Port Authority, not to speak of the Hydro-Electric Power Commission in Canada.

While those who speak of the Public Corporation have not always exactly the same form in mind, and while they would not agree as to the composition of its directing Board (which certainly should not be based on the principle of representation of interests), there is emerging, apart from political and party prejudices, under the stress of economic events, and economic experience, a certain consensus of opinion both as to the desirability of creating collective forms of industrial undertakings in certain cases, and as to the form which such intervention should take. The Corporation is definitely to be preferred to direct administration by a Government Department, provided that adequate State control on essential general matters is reserved. British experience of such forms, in the shape of the B.B.C. and the London Passenger Transport Board (which is similar enough in character to be included in this discussion, although it is not identical), however, suggests certain lessons which might well be borne in mind. To remove Governors and Directors of such bodies too far from democratic control may cause them to become too arbitrary in the exercise of their authority, neglectful of consumers' interests (which are not well organised—for the B.B.C. there ought to be a strongly organised body of B.B.C. consumers, capable of bringing pressure to bear, through the properly provided channel, upon those responsible for its administration) and arbitrary and intolerant in regard to staff matters. The company form, whatever its defects, at any rate enables the State to create a representative council replacing the shareholders to keep a regular, watchful eye over the Board's conduct.

(*d*) *The "Mixed" Form*

The considerable post-war growth of mixed enterprise, i.e. private companies with State or other collective (e.g. municipal) participation in share capital, with more or less than a 50 per cent collective participation, or in Debentures, has offered an interesting experience, that is worth some special attention. During the Great War, in Germany, special (*gemeinwirtschaftlich*) companies were formed to operate industrial undertakings, with the State's participation in the ownership of capital, and, very often, in the directorship and control, combining a measure of collective control with economic efficiency. In fact the process developed most in Germany. Great Britain has applied this method in, for example, the case of the Anglo-Iranian Oil Company. In France, such undertakings as those for the exploitation of Alsace potash and the manufacture of synthetic ammonia were put on this basis. Belgium adopted this method for most of her big colonial enterprises, especially railways, and for the Belgian National Railways; and the Ghent co-operatives utilised it for their large-scale industrial undertakings. Vienna adopted it for several services. The Czechoslovakian Grain Company and Cattle Association, and the recently-formed Netherlands Company for Financing Industry and Public Works, are interesting forms of mixed undertakings.

This form has been adopted for different reasons. The Ghent co-operatives used it, under the necessity of attracting large-scale capital. Germany, in the inflation period, took deliberate advantage of the extremity of private enterprise to secure good bargains for the State and to develop public control and give public authorities more experience of industrial undertakings of this type; Belgian National Railways were driven to admit private capital arising out of the necessities of international finance connected with the stabilisation of the franc. Likewise, Germany was forced, even more directly by international intervention, to meet the burden of repara-

tions, to resort to a similar policy in connection with her State railways. In some cases private enterprise was very glad to admit State participation in return for State financial aid. President Roosevelt, in fact, although perhaps not deliberately, has resorted to this form through the Reconstruction Finance Corporation in its taking over of many securities.

It may be held that this form is appropriate to the undertaking of certain industrial services because it yields such advantages as are afforded by private initiative, while the presence of collective interests prevents the too extreme consideration of the interests of private profit. Generally, however, the main reasons have been the desire of public authorities to exercise some control where there has been no possibility of complete expropriation, or to participate, in order to get certain facilities, without the responsibility of full ownership and control. Clearly better results follow when the public share of ownership of capital is a controlling one; but it is desirable, apart from the financial advantage that may accrue to the public authority, for such a participation to be developed wherever expedient and possible, in order to permeate the individualist economy, with collective interests and with the collective outlook. The spreading of such participation more widely makes for the growth of collective power and makes easier the development of a larger measure of collective intervention.

(*e*) *Co-operative Enterprise*

The co-operative form of enterprise is an important part of the volume of collective industrial enterprise in the world: its extent and variety are quite remarkable. The consumers' co-operative movement, within the International Co-operative Alliance, assumes big proportions. There is a growing amount of agricultural co-operation; in various continents, particularly in Canada, United States, Australia, and South Africa, producers have left behind the old economic individualism and, for self-protection, have formed pools and other

co-operative organisations. The growth of the co-operative form, however, has not been confined to these co-operative organisations in the narrow sense. In Belgium, the State, Provinces, Municipalities, hospitals, etc., insure themselves against fire, accidents, civil liability and workmen's compensation claims, and also organise a pensions' fund scheme, on a co-operative basis, in a specially formed organisation. In Belgium, also, Municipalities, during the past sixty-odd years, have developed special companies, with shares owned largely by Municipalities, and sometimes with provincial and State participation, based on purely co-operative principles, for supplying themselves with banking, insurance, housing, water supply and local transport facilities.[1] Since 1919, many Norwegian Municipalities have run a national office, on co-operative lines, for supplying their municipal cinemas with films. The co-operative use of water supply for irrigation purposes, in Spain, by landowners who need it, is very interesting.[2] In this latter case, eventually, the compulsory principle was introduced, and State control, together with representation of industry, agriculture, and banking, etc. The users of electricity in rural areas of Czechoslovakia are organised, on a co-operative basis, for the production and distribution of electricity. By 1924, there were already 614 of these co-operatives. Alone, or with communes, they form also electricity federations, in order to establish secondary distribution lines. They are helped by the Central Agricultural Co-operative Union and get subsidies from the Ministry of Agriculture. Members all pay the same price for current. The co-operative bodies are grouped in a Federation of Co-operative Societies for consuming electricity, in which public authorities are represented. In France, there have been important proposals for the formation, on a co-operative basis, of organisations

[1] See *L'Ordre co-opérative*, by Professor Lavergne; and my articles in *The Municipal Journal*, 23 8.29

[2] See *Annals of Collective Economy*, July–October, 1927, article by Professor L Jordana.

containing Public Authorities, such as Municipalities and Departments, for the exploitation of the water-power of the Rhone and the Dordogne. The Ontario Hydro-Electric Power Commission is organised by Municipalities, with State help, on a co-operative basis. Another interesting form of co-operative enterprise was the Boerenbonden peasants' co-operative movement, in Belgium; and their co-operative bank. The Rumanian 1929 Law on Commercialisation of State Economic Undertakings envisaged the co-operative form for certain of these undertakings, similar to those in Belgium and France already mentioned, which might be run by an association of public authorities on a co-operative basis. It mentioned three variations of such co-operatives as were envisaged: (*a*) an association of public authorities on a co-operative basis; (*b*) an association of public authorities and co-operative concerns; and (*c*) an association of several public authorities and several co-operative concerns. Two small Swiss savings banks are run on the co-operative principle.

Within various countries the individualist economy has been penetrated by co-operative action, at an important point, in the development of direct exchange relations between agricultural and consumers' co-operatives. Though as yet only on a small scale, this development has vital significance. The Dairy Union of Malmo organises relations between consumers of a given town and producers of dairy produce in the environs. In 1923, a majority of shares in the Malmo Milk Company was bought by a distributive co-operative society, "Solidar", and, in 1930, it formed, with the Malmo Distributive Dairy Society (of producers), the Malmo Milk Centre Company, of which the two organisations share the capital and management. This gave joint control by producers' and consumers' co-operative organisations. Between countries, this process has been carried further.[1]

[1] The Bulgarian and Rumanian Agricultural Co-operative Societies have set up a joint buying organisation for supplying their societies with certain

Co-operative participation also occurs in undertakings run jointly between co-operative organisations and Municipalities and/or other Public Authorities; as, in Vienna, for the purchase and sale of fuel, meat, fruit and vegetables, etc. Two Decrees of 5th November and 28th December, 1926, in France, allowed Municipalities to participate in co-operative societies for public utility purposes by subscribing up to 40 per cent of shares, or Debentures, but under strict public control. They also allowed Municipalities to establish grocers', butchers', bakers' and coal undertakings, and lease them to co-operatives, under their control. The late Albert Thomas introduced a Bill in the French Parliament for public provisioning offices, administered by Councils comprising industrial and workers' interests, co-operatives and municipal councils.

This raises the question as to what, in the extension of the sphere of collective enterprise, should be the relations between co-operative organisations and municipal and other public trading activities. Inasmuch as their fundamental aims are collective it would be foolish for competition between these forms of collective enterprise to occur; and it would be economically wasteful for

necessities, of production, etc Danish co-operative societies long have had direct contact with the English C W S, through the latter's depôts in Denmark The English C W.S also has direct touch with the "Valio" Society, in Finland, and with the German Wholesale Society The Hungarian National Federation of Co-operative Societies has had direct contact with the German and Italian Distributive Societies and with the English C W S The Swiss Union of Distributive Co-operative Societies has direct contact with Danish co-operative societies Czechoslovakian butter comes direct from the central organisations of Danish, Esthonian, Finnish, Latvian, and Lithuanian co-operative dairies The Scandinavian countries' joint wholesale society, the New Zealand Produce Association, the joint organisation of New Zealand Producers' Co-operative Marketing Association and the English C W S, providing relations with South African and European producers also, direct exchange relations between Australian primary producers and British co-operative societies, direct relations between South African producers and London, direct business dealings of U S producers' co-operative societies with European buyers, intimate relations between the Canadian pools and British co-operative societies, and joint organisations formed by Russian and other European co-operative societies, all these activities are collective enterprise of this kind See also Vol II, Chapter IV (d), especially pp 338–9

capital and effort to be invested in such competing concerns. Clearly, in regard to relations between co-operative and municipal enterprise agreement will have to be reached upon a delimitation of function, bearing in mind the services which have been built up by these two wings of collective enterprise. The Municipalities might give a monopoly of some services to the co-operative society, demanding, in return, certain controlling and supervisory powers. In certain cases, special bodies representing both parties might be created to perform the necessary services, as in Vienna; or if the municipal service were first in the field, if the co-operative society were powerful enough, it might be given a certain voice in the administration of the municipal undertaking, to protect special consumers' interests. Perhaps, in others, the Municipality, as in Berlin, and, in 1925 about eighty other German towns, might become a member of the co-operative society, thus aiding it in many ways, and, in return, getting certain economies in regard to necessary Municipal purchases. British co-operatives invest in Municipal finances. The Municipality of Liége (Belgium) participates in a co-operative building society. Similar principles might govern the development of relations between co-operative societies and other public authorities' industrial undertakings—as envisaged, for example, in the above-mentioned Rumanian law. When the Municipality of Sheffield was captured by the Socialists a few years ago representations by the strong local co-operative societies resulted in the Municipality refraining from pressing the presentation of its Bill to Parliament for authority to undertake certain services where co-operative enterprise was in the field: that was an illustration of the sensible attitude that should be adopted.

Occasionally co-operative organisations have entered into co-operation with private enterprise. A unique development of this kind occurred in the case of the "Vooruit", Belgian co-operative societies, in Ghent; where collaboration with private capital, in a mixed form,

occurred in order to attract necessary large-scale capital, to run large-scale undertakings with ramifications all over the world. This experience was interesting inasmuch as the co-operatives in question produced, in some cases, articles not consumed by the workers. Control was retained by the co-operative societies and "middle-class" capital was used to develop a working-class co-operative business.[1] Co-operatives also have participated in mixed concerns in Germany and Czechoslovakia.

The co-operative form is important: its future, in the sphere of distribution at any rate, is assured. Some other co-operative activities, however useful in a competitive, capitalist system, may have to be subordinated to large-scale State action and State planning. In any case, the State's right to an over-riding authority cannot be challenged.[2]

(*f*) *Municipal Enterprise*

The general public takes for granted and seldom reflects upon the enormous contribution of municipal

[1] This experience is interesting, but owing to the intimate connection with the Belgian Labour Bank, which collapsed during this economic crisis—among other reasons—the concerns found themselves on the rocks

[2] See G Fauquet *Le Secteur coopératif Essai sur la place de l'homme dans les institutions coopératives et sur la place de celles-ci dans l'économie*, Brussels, 1936 Note also that English Socialists disagree as to the place of the co-operative movement in the Socialist State Thus a National Amalgamated Union of Shop Assistants, Warehousemen and Clerks' report, in March, 1936, condemned co-operative dividends in an individual sense and stressed that this movement must be subordinated to the national economic authority, controlling economic policy Recent discussions between the British Labour Party and co-operators on agricultural marketing and import control, have revealed divergent views Co-operators wanted joint control of all marketing schemes by producers, distributors and consumers, envisaging a complete co-operative service from producer to consumer The Labour Party advocated preliminary producer organisation, followed by national organisation of manufacture and distribution, with ultimate balancing control by consumers There were very different views about import control and the desirability of expansion in municipal trading Co-operators were anxious about co-operative permeation of the marketing structure, and the Labour Party felt national control to be the main issue The Labour Party compromised at a joint discussion, yielding too much ground, even to the point of allowing co-operative expansion at competitors' (presumably Municipalities') expense There can be no final reconciliation on this basis, taking account of the widest community interests. The State as a whole must dictate policy.

industrial services to economic progress. Compare, for example, the conditions of a big English town nearly a hundred years ago with its present conditions. The British "Select Committee on the Health of Towns", 1840, summarises, thus, the conditions in a ward of a big provincial town:

> All the streets and dwellings of this ward are stated to be more or less deficient in sewerage, unpaved, full of holes, with deep channels, formed by the rain, intersecting the roads, and annoying the passengers; some ill-lighted; some without lamps, with cellars sometimes so dangerously exposed, that passengers are liable to frequent accidents, and sometimes rendered untenantable by the overflowing of sewers and other more offensive drains, with ash-holes, etc., exposed to public view, and never emptied; or, being wholly wanting, as is frequently the case, the refuse is accumulated in cellars, thrown into the streets, or piled against the walls.

Municipalities, as has been seen, have conquered an important area of trading services and have caused them to be earmarked as definitely of such a character as to demand collective intervention.[1]

Such Municipal trading activity in most cases has been built up by local authorities governed by parties believing in the virtues of private enterprise and free competition. In most industrialised countries, gas, water, and (to some extent) electricity, tramways (and often other local transport) and housing (to a large extent and where it is not a "profitable" business for private enterprise for various reasons!) services have been admitted to be well within the sphere of collective enterprise—in many cases some of them have been regarded as monopolistic in character and outside the area of free competition—in order to provide the best and cheapest service. In numerous countries, Municipal enterprise has stretched out to cover, among a great variety of other services, banking, insurance, harbours and ports, cinemas, direct labour operations and provision of em-

[1] Consult, *inter alia*, the important reports on "Municipal Trading Enterprises" and "Expropriation for Public Purposes", presented to the Seville Congress of the International Union of Local Authorities, in 1929

ployment through public works to combat unemployment. Municipalities participate in railways and air transport services. In Germany, and elsewhere, they have developed, particularly since the Great War, collaboration with private enterprise in mixed undertakings on a considerable scale—often involving Municipalities in operations on quite a large scale.[1] Again, in Germany in particular, Municipalities have adopted in numerous cases for their trading services, not the form of directly administered concerns but of autonomous companies, in which they hold some or all of the shares. Individual Local Authorities have run large undertakings revealing the splendid business capacity of Municipalities[2]; such as: the former London County Council Tramways and Berlin transport services; the German Savings Banks and Giro Confederation; the Belgian Municipal (plus State) insurance, banking, local transport, water supply and housing organisation; and the Ontario Hydro-Electric Power Commission.

There has emerged a large volume of joint Municipal enterprise. For example, in Great Britain, there is the Mutual Insurance Company. Forty-five Swiss Municipalities own all the shares in an electricity works. Twenty-five Swiss Local Authorities run a savings bank, with no dividends payable. German Municipalities practise joint trading activity on a considerable scale. They run, in this form, in various places, quarries, pits, large gas production and distribution concerns (and, in places, a coal supply for gas concerns), savings bank and credit supply associations, with Federations and a Central Bank, a national insurance fund against civil liability

[1] For example, in 1927, 47 per cent of gas produced for long-distance supply in Germany was from mixed works A Company exploiting big lignite mines in Saxony comprises, *inter alia,* Municipal and State authorities Saar Local Authorities hold 56 per cent of the Saar Gas Company's shares Local Authorities, with Federal and State Governments and private capital, run the big Rhine–Main Danube Canal and Luft-Hansa Aviation concern Municipalities also shared in electricity undertakings like the huge Rhenish-Westphalian Electricity Company

[2] See, also, *Les Associations de Communes pour l'Exploitation des Services publics,* by A Loude

(based on regional subdivisions), and water supply, electricity and tramway services, usually in company form. They also participate with the State and other Public Authorities in joint undertakings; for example, the town and the State own the Port of Duisburg, and four Hesse towns and three Hesse Provinces participate in a gas supply company for South-west Saxony.

Municipal industrial undertakings have played and will still play an important part in economic life; but, on the road to a collective economic régime, they will learn, and are learning, like State and other public services, that at certain stages it is prudent and productive of economies to co-operate rather than to compete with private enterprise. Thus, German Municipalities have performed useful services in their penetration of private enterprise. More recently, English Municipalities have become realistic and initiated similar co-operation. Several English Local Authorities have found that local transport problems could best be tackled by joint working with private undertakings. In certain cases, English Municipalities have resorted to the mixed form. Thus, Sheffield has entered into arrangements with railway companies for joint operations of omnibus services. Plans were put forward in London and Brighton for joint ownership of tramways.

> Some action has been necessary, for it has been recognised [said Mr. J. Beckett,[1] General Secretary, Municipal Tramways and Transport Associated (Inc.)], that road passenger transport is a service to which competition could not be applied with permanent advantage to the community. Motor omnibus undertakings are at present subsidised to the extent that highways are maintained at the public expense; they should be both publicly controlled and publicly owned. . . .

When the Labour Municipal Council at Sheffield decided on joint working of railways and Municipal buses with the two leading railway companies, it agreed, it was stated, that the Joint Committee should select its

[1] In a paper read to the Scottish Tramways and Transport Association, May, 1929. See *The Municipal Journal*, 31.5.29.

Chairman alternatively from the Municipality and from representatives of the London, Midland & Scottish and the London & North-Eastern Railways. In September, 1932, Keighley formed a merger company with the West Yorkshire Road Car Company, whereby it sold its transport assets in return for a half-share in net profits earned under the Company's management.

British Municipalities are handicapped, however, in their efforts to promote trading enterprises. In 1933, York failed to get a House of Commons' Private Bill Committee to agree to its proposal to run a joint public vehicle service with the West Yorkshire Road Car Company. As a matter of fact, before Municipal trading undertakings can develop more strongly in Great Britain enabling legislation must be passed to give Local Authorities wider powers of initiation of such undertakings and to cheapen the cost of obtaining the necessary Parliamentary facilities. Whatever be the arrangement for the control exercised by the central over the Local Authority, there ought not to exist, as now exists in Great Britain, the situation in which Local Authorities often have to incur large expenses in seeking Parliamentary sanction to undertake certain trading services. Twenty years ago,[1] Sheffield had to pay £20,000 in Parliamentary expenses in connection with a water scheme and Derby paid £30,000 in connection with its waterworks Bill. Professor Laski[2] says that Leeds, from 1897 to 1913, had to pay an average of nearly £7,000 for an Act of Parliament; the twenty-eight London Boroughs spent over £70,000 on legislation, from 1901 to 1905; and the L.C.C. spent over £100,000 in promoting and in opposing legislation, from 1903 to 1905. On the other hand, this situation arose. In 1927, Dundee, in selling residual products from the manufacture of gas, set up a special plant to manufacture, by blending coal tar—which it was allowed to manufacture

[1] According to Mr Hyder, in *The Case for Land Nationalisation* (London, 1913), p 382

[2] In *A Grammar of Politics* (London, 1934), pp 419–20

—with bitumen, a composition used in road construction. As the necessary bitumen had to be bought by the Municipality from outside, it had to seek permission through a Provisional Order; but, on being opposed by a private firm in the same line of manufacture, it was refused permission and told that a private Bill would be necessary to allow the powers[1] Such a Bill, of course, would involve expenditure.

Municipalities perform an important share of the world's economic activity and the development of their industrial and trading services is removing from the sphere of economic anarchy a useful amount of economic enterprise. In whatever form the collective economy of the future is organised nationally, doubtless there will remain an important place in economic government for Municipal activity, with reasonable autonomy for such activity, within the limits set by the need of central, co-ordinating control. As in the case of co-operative services, however, there must be limits to the scope and usefulness of Municipal enterprise—if only because industrial activities are being conducted on an increasingly large scale and because of their growing dependence upon the banking system, and upon national and international economic factors. Technical and other developments are proving, for example, the difficulty of confining a transport service to one town, and the superiority of a national, collective banking system, to Municipal and other more local banks.

(5) *The State and Industrial and Commercial Combinations*[2]

Germany, followed by other countries, decided that cartels and similar industrial organisations could not go

[1] See *Manchester Guardian*, 22 7 27

[2] See, *inter alia*, *Review of the Legal Aspects of Industrial Agreements*, prepared for the League Economic Committee by Messrs H Decugis, R E Olds, and S Tschierschky, League of Nations Economic and Financial Section, Geneva, 1930, and *Review of the New Legislation concerning Economic Agreements (Cartels, etc) in Germany and Hungary*, prepared for the Economic Committee by Dr S Tschierschky, League of Nations, Geneva, 1932.

uncontrolled. Supervision, involving price regulation and regulation of output, thus has come to be exercised by the Governments of several countries, chiefly Germany and Norway. Action taken in these countries has differed from that taken in the United States where efforts have been directed merely to an endeavour to give the small producer and consumer the supposed protection of free competition; by applying anti-Trust laws and common law principles, regarding freedom of trade and industry; which line has been adopted, in a less spectacular way, in Great Britain.

The minimum demand in the advocacy of cartel control has been for publicity with the compulsory registration of the cartel. The 1926 Norwegian law alone explicitly provides for this. Then the public is concerned with sales policy, such as the raising of prices. Governments have stepped in to regulate prices in various ways.

We are not concerned here with legislation in different countries introduced with a view to promoting freer competition or to stopping action in restraint of trade. Undoubtedly it is in the general economic interest that large-scale industrial organisation should develop, rationalising production and markets; for it affords the opportunity of passing on to the consumer and to the workers the benefits and economies of such organisation in the shape of lower prices and better working conditions. The problem is to control such development, not to suppress it. With this in mind it is significant to notice that in several countries the State has tended to promote compulsory membership of cartels.

A much more formidable problem is presented by the effort to control international cartels and trusts. An international producers' cartel, with a virtual monopoly of certain goods, may raise prices unreasonably in a consumers' country or, with its own factories in the countries of production, it may seek to stop new and competing factories being set up in consuming countries, or to ruin existing factories, by selling beneath cost

price, cornering raw materials, inducing technical experts and skilled workers to leave. Public authorities which can intervene in one country in regard to sale prices of cartels and trusts cannot affect action outside this national territory. Moreover, trusts are able, by financial manœuvring, to develop their power and range of influence. It is clear that only international action can suffice in this connection—and this will be dealt with later.[1]

Where national Governments have intervened regarding industrial combinations to any effective degree they have usually established special regulations for cartels and trusts: in other countries these are subject to ordinary law. Thus, the New Zealand 1919 Act entrusted the supervision of monopolised industries to the Minister of Commerce and Industry. Argentine 1923 Acts, making abuses by trusts punishable and regulating the sale of livestock and the meat trade, entrusted administrative supervision thereof to the Bureau of Trade and Industry. In Germany, a 1923 Act provided for administrative supervision of cartels thereunder, by the Minister of Commerce; and a Cartel Tribunal has punished offences under the Civil and Criminal Codes.[2]

[1] See Vol II, Chapter VI, pp 377–86

[2] The U S set up a Federal Trade Board in 1914 for administrative supervision of industrial combinations, and the Law Courts impose penalties Various laws against restriction of competition and restraint of trade were passed between 1890 and 1923 A Canadian 1923 Combines Investigation Act provided for punishment by the Courts of illicit combinations concluded with a view to interfering with freedom of trade and industry. In Spain, a 1926 Decree, plus further 1926 and 1929 Decrees, etc , on general administrative regulation of industrial production covered intervention in regard to industrial combinations in certain respects It set up a committee to undertake this regulation without the authorisation of which it was forbidden to establish, or modify, any industrial company or business or to transfer installations Though not directed primarily at industrial combinations these provisions, in effect, arranged for the supervision and administrative rationing of production A 1921 Decree already had arranged that producers must announce their selling prices, as a means of supervising wholesale and retail prices Under a 1923 Regulation, Provincial Food Supply Committees and a Central Committee attached to the Ministry of the Interior supervised products of prime necessity and foodstuffs, and could regulate the price of raw materials used to manufacture such articles and supervise and restrict their

The history of State intervention in controlling industrial combinations in Germany is most important and very interesting. Already in 1910, an Act created a compulsory syndicate for selling potash salts. During the Great War the organisation of the national economic system on a public or collective basis gave birth to a number of *ad hoc* bodies in a form similar to that of cartels. Immediately after the war the movement of collective intervention, or socialisation, gathered impetus, especially in the public organisation of the coal and

distribution They also could conduct inquiries in factories, workshops, etc, and fix rules of priority for manufacture, distribution or sale, and could force holders to deliver all or part of their goods already ordered, and even, with Government approval, seize goods and insure their sale on payment for value A special Austrian inflation law, in 1921, provided penalties for agreements designed to secure undue profits on necessaries, services and brokerage Though not applied recently to cartels it might be in the future In Great Britain, a temporary 1919 Profiteering Act, imposing punishment for the unlawful raising of prices, expired in 1921 A 1919 report of the Committee on Trusts, which urged the appointment of Commissions of Enquiry, with powers of investigation into the operations of trusts, combines and monopolies (like those in New Zealand, Canadian, Australian, and U S A. legislation), has not been acted upon Such judicial inquiries, it urged, should be made by a special Tribunal, aided by persons chosen by the Chairman (with legal qualifications) of this Tribunal from a panel appointed by the Board of Trade after considering nominations made by the chief Trade organisations, including Trade Unions and co-operative societies The 1926 Mining Industry Act gave the Railway and Canal Commission the right to watch over the amalgamation or absorption of coal-mining undertakings Since then, under a 1930 Act, a Reorganisation Commission also has exercised important powers regarding the stimulation of amalgamations In Czechoslovakia, 1919 and 1920 Decrees enabled special associations of concerns belonging to the same branch of industry for the purpose of fixing prices with the co-operation of central authorities to be created A 1919 Decree enabled the Minister of Public Works to introduce a system of compulsory administration in business concerns under its supervision if they acted in a way prejudicial to the community's interests A 1928 Act declared null and void any cartel agreements on building materials fixing unduly high prices A 1920 Emergency Decree imposed a general obligation to give information and declare stocks, and introduced a system of licences for buying and trading, in regard to necessaries, giving Public Authorities a far-reaching right of control and intervention regarding the cartels in question, including the fixing of maximum and normal prices Further 1924 and 1929 Acts, on punishing war profiteering, dealt, *inter alia*, with the obtaining of unduly high prices for necessaries In 1929, draft legislation on somewhat similar lines to that in Norway and Germany (1923) was being discussed (*inter alia*, an Advisory Committee on Cartel Questions to aid the Minister of Commerce was being put forward) Draft Polish legislation, in 1929, was along similar lines to the German Act.

potash industries, which already were under public control. A 1919 Act (and executive regulations thereunder) enabled the Reich Minister for Trade and Industry to compel firms to form syndicates for selling all kinds of coke and coal, organised as prescribed, as private companies, and which, together with representatives of States owning mines, formed the Reich Coal Association, which fixed prices as proposed by the Syndicates, having regard to consumers' interests. The Association controlled syndicates' policy regarding the regulation of production and sales; and a Reich Coal Board managed the fuel industry. A similar 1919 Act organised the potash industry as one uniform syndicate.[1] A Decree, not put into operation, also provided for the establishment of an Iron Industry Association, as an autonomous body, comprising producers, employers, traders and consumers, under Reich Government supervision. A 1919 Act appointed an adviser on questions relating to the electricity industry. A 1927 Act provided for control of the match industry and for the uniting of the various undertakings into a selling syndicate, German Match Sales Company. The Reich Minister for Trade and Industry had to approve the establishment of any new undertaking and any alteration in the company's articles of association, and he could supervise prices. A 1930 Act established a compulsory cartel as a Government monopoly, organised as a private company with a public status. It involved supply, and import and export monopolies. A 1923 Cartel Decree registered the universal acceptance of the basic principle of public control of organised economic interests; and set up a Cartel Court to afford a special judicial procedure. This Decree, therefore, was an important landmark, although certain provisions of general public and private law still apply to industrial organisations, and it did not apply to industries organised, as indicated, under special public control legislation. This Decree applied to cartels based on agreements and decisions, with obligations in regard

[1] Later legislation modified these controls. See pp 299 and 301–3

to management of production and sales, terms of business, methods of price-fixing and claims in respect of prices; which must be made out in writing.[1] If such an agreement or decision, or a specific method of applying it is contrary to the public interest,[2] the Reich Minister for Trade and Industry[3] can intervene and take preventive measures, by suggesting to the Cartel Court that such agreement or decision or method of application thereof should be declared void or prohibited, by ordering parties thereto to cancel it or free themselves therefrom or by ordering copies of all arrangements made or steps taken in respect thereof to be sent to him, till which time they cannot enter into operation. The Administrative Authority thus can keep permanent control over business transactions of suspected cartels. The Decree strengthens the right of individual members in laying down regulations regarding withdrawal without notice; and provides for preventive censorship by the President of the Cartel Court in regard to the imposing of boycotts and similar measures and to the realisation of securities.[4] One provision of the Decree applies not only to cartels but also to capitalist organisations such as Trusts and Associations of interests, in respect of which, in regard to specific trade abuses, commercial conditions detrimental to the community and similarly detrimental price-fixing methods, the Court, on the Minister's proposal, can grant either a general right of withdrawal or a limited right in regard to the conditions or price agreements objected to. The Decree provides for penalties.

[1] To exclude purely moral obligations, which can only be enforced by subjective compulsion, offering no guarantee of redress or control, and to ensure publicity in the absence of a cartel register.

[2] I e the restriction of production or sales, so as to harm the national economy, a corresponding increase of prices or maintenance of high prices, inequitable restriction of economic freedom by preventing purchases or sales and differentiation in prices and conditions

[3] And the Minister for Food and Agriculture within his jurisdiction.

[4] Refusal can be enforced if there is an unfair restriction of the economic freedom of the party concerned or if the general economic situation or the welfare of the community be deemed to be endangered.

In 1930, the economic depression led to further measures, which offer striking examples of the growing relation between the State and economic agreements and of the forms of State intervention; with a view to supervision and influencing the policy of prices fixed by industrial organisations. They gave firmer Government control and a great degree of collective intervention in private economic organisation; and also provided for the establishment of new compulsory cartels under State supervision. In 1931, again, the Government was driven to restrict economic freedom still further, to bring down, generally, the price level in all important branches of economic life. These Decrees were: (*a*) 26th July, 1930, for removing financial, economic and social distress, the Cartel Emergency Decree, for the prevention of uneconomic price agreements; (*b*) 30th August, 1930, regarding the cancellation and prohibition of compulsory prices; (*c*) 16th January, 1931, regarding compulsory prices for goods bearing a standard mark; (*d*) 1st December, 1930, to safeguard trade and finance; and (*e*) Emergency Decrees in 1931, particularly Number 4, 8th December, 1931, for Protecting Trade and Finance and Safeguarding the Peace of the Country. The first three gave rise to administrative measures, as opposed to the wider legal and political scope of the 1923 Decree, which are limited to supervision and influencing of price policy, although in some respects going farther than the Decree of 1923. They must be regarded, however, rather as temporary measures; the validity of the 1923 Decree is not affected. The Cartel Emergency Decree, which is the only one of general importance, supplements and extends or replaces the 1923 Decree but has a wider scope, extending to agreements and decisions, the result of which is to regulate prices or business terms, covering verbal agreements and mere recommendations, and irrespective of the economic or legal method employed. It also covers the verbal threat of disadvantages to be imposed on a reluctant customer, i.e. an informal embargo. The powers

of official supervision are also extended appreciably; and, generally, the circle of price and trading agreements subject to such official supervision is widened considerably. It aims at fighting only abuses by cartels, konzerns, trusts, etc., by means of price regulation and terms of business. Its effects are exercised within much narrower limits than those of the 1923 Decree, being limited to price-fixing methods and prices to be demanded by which the economy of production or trading in goods or services is affected or economic freedom of action is restricted in a manner unjustified by national economy. The authorities should hear the economic circles involved.[1, 2] The administration can intervene (*a*) directly or (*b*) indirectly: (*a*) by declaring the nullity of agreements and decisions, by prohibiting a certain method of executing agreements and decisions, and by provisions for withdrawal from agreements included under conditions objected to; and (*b*) through the power to reduce or cancel import duties, as a means of defence against the excessive growth of monopolistic market policy.

The Decree of 1st December, 1930, provided for the improvement of market conditions for agricultural products and for the extension of compulsory cartels, in industrial organisations for agricultural products, sugar and potato manufactures (potato-starch and meal), and milk production, as well as the preparation and utilisation of dairy products. These new cartels are subject to State supervision. Firms in these industries are to be amalgamated regarding production and sales, as prescribed by the Government, and recalcitrant firms may be compelled to adhere. Under these provisions a 1931 Decree provided for the amalgamation of the sugar and

[1] And, it was stipulated, the opinion of the Economic Council of the Reich then in existence.

[2] The method of such consultations is not indicated, but there are Cartel Conciliation Offices, formed by the central organisations of the main economic groups (industry, wholesale and retail trade and co-operative societies) Unlike the 1923 Decree it gave exclusively to the Government of the Reich the possibility of delegating powers to Governments of the States, without any legal guarantee such as re-examination of decisions by a Court.

potato-starch industries, with a view to organising the industry, so as to permit agreements with other countries. The Ministry of Agriculture and Food had a large say in preparing the organisation and control over the domestic quota and price policy. A Decree on the organisation of the potato products industry also has been prepared. Under a 1931 Milk Act, producing firms and firms preparing and utilising dairy products may be amalgamated by the supreme authorities of the States for the control of employment and sale of milk and milk products; in which case these State Governments may enforce the same provisions as the Government of the Reich in the case of the sugar and potato-starch syndicates. The 1931 Emergency Decrees aimed at lowering the domestic price level generally, in every sphere of economic importance, as well as in that of commodity prices. Thus Number 4 Decree provided that prices enforced by cartels and individual agreements, such as delivery contracts or guarantee certificates, should be reduced by about 10 per cent compared with prices current on 31st July, 1931. It created a Price Control Commissioner for the Reich, to stop the charging of unduly high prices for essential commodities in everyday use and essential services.[1] Very drastic provisions were introduced for reducing interest rates on public and private debts; and facilities and reductions connected with house rents, etc. The compulsory reduction applied to all "compulsory prices",[2] to all cartels and similar price combines, and, particularly, price stipulations applicable to the next stage in the economic process.[3] The Government or other competent authority could prescribe a further reduction. The above-mentioned Price Control Commissioner was appointed by

[1] These measures thus being designed to reduce prices not fixed by an organisation.

[2] I e all price arrangements based on contractual arrangements as described in the 26th July, 1930, Decree—in all branches of trade and industry where prices are regulated

[3] E g those price provisions which certain industries imposed on their wholesalers, and, through them, on retailers

the President of the Reich and given dictatorial powers. He was empowered to delegate his authority; and appointed, for example, a Milk Prices Commissioner for Greater Berlin. He could set up his own list of goods and services affected under the Act. He compelled goods to be ticketed and price-lists to be displayed with full details to enable consumers to co-operate extensively in price-control and set up Prices Committees, with consultative powers, representing suppliers and consumers. He could stop the operation of enterprises supplying goods or services affected for infringement of the provisions of the Decree or if the proprietor or manager were proved to be unreliable, and could direct the business and office premises to be shut down.

Norwegian Acts, in (*a*) 1920, (*b*) 1921 and (*c*) 1926, (*a*) compelled industrial combinations to supply information, (*b*) provided for compulsory registration of large undertakings and of all commercial or industrial combinations restricting competition, and (*c*) regulated such combinations and provided for their supervision by a Supervisory Bureau and a Supervisory Board. In 1917, a price-control office was formed to combat certain war evils. The provisions of the 1926 Act, which abrogated the 1920 Act, sought to prevent the improper manipulation of prices and to control restrictions on competition. It prescribed compulsory notification of combinations formed to regulate competition; which notification is the basis of registration, on which the Office of Control decides.[1] Supplementary declarations also have to be made. Compulsory registration is supplemented by a comprehensive obligation to supply information; and the authorities can publish information (except technical secrets), in the public interest. Such compulsory publicity gives the authorities valuable facts, enabling them to undertake the necessary preventive, regulatory and disciplinary measures. The Act seeks mainly to stop excessive prices and profits. A general prohibition is

[1] With provision for appeal to the Council of Control.

placed upon undue prices and exorbitant conditions,[1] and, in general, retail sellers must quote the price of goods, as far as is practicable.[2] At the instance of the Office, the Council can intervene to regulate unreasonable prices and profits fixed through combines and agreements, or through certain monopolistic enterprises. The Council has the right to decide in regard to the control and compulsory limitation of freedom of organisation. There are special regulations dealing with boycotting, exclusive agreements and differentiation of prices. The supervisory bodies can stop any such action which is contrary to the general interest or unreasonable. The Act provides for an Office of Control and a Council of Control, both appointed by the King as independent authorities or cartel offices.[3] The former is the permanent administrative organ with its own budget, for applying the law. It can summon people before it and require information; and can make recommendations to the Council in regard to offences against the Act. The latter is the executive organ, which takes decisions, comprising a President and four members. The Director of the Office attends its meetings.

A Hungarian law, in 1931, was based largely on the 1923 German Cartel Decree, although, unlike this, it does not provide for the withdrawal of members without notice and the preventive censorship of the compulsion exercised by the organisation; but does provide for a special consultative Commission (as in Norway) to see that the law is applied. The procedure is one of public law. There are provisions for compulsory notification, and registration of agreements, also for foreign cartels with a member domiciled or with an office in Hungary. There is a Cartel Court, attached to the Supreme Court; and also an Advisory Cartel Commission, appointed by

[1] Maintaining as a general principle the general price control enacted in most European countries during 1914–18.

[2] Ibid

[3] Annual Reports must be presented to the King and laid before Parliament. The Office of Control publishes a review, *Trust Control*, giving periodical reports of its work.

the Government, representing, *inter alia*, industry, handicrafts, commerce and agriculture, consumers and workers.

One very interesting feature of recent cartel developments is the movement for the compulsory formation of cartels under Government authority. In Japan, under an August, 1931, Act (Control of Principal Industries), the Government aimed at the formation of cartels and, by using them, at State control of industry. By the end of 1934 it had cartellised 24 industries. Under the Industrial Association Act, 1925 (amended in 1931), encouragement was given by the Japanese Government to the systematic grouping of small producers; and the Government was authorised to confer privileges and give financial help to industrial organisations formed under the Act.[1] By a 1932 (16th June) Act, the Italian Government has formed compulsory associations of producers in various industries. The German Government, by a 15th July, 1933, Act, was authorised to create compulsory cartels; and, by 1934, twenty such associations had been formed. Bills were framed in 1934, and were discussed in 1935, in France, Great Britain and the Netherlands, enabling collective organisation of producers in the various branches of industry and giving them power to compel minorities to fall in with the wishes of the majority.

In the United States, President Roosevelt secured the passage of an Act attacking the big public utility holding companies; and also sought to combat the electricity trust by promoting public electricity undertakings. In Scandinavia, the co-operative societies have formed a special organisation to combat the match trust.

These different methods for tackling the problem of industrial combinations suggest various lines of approach to its solution. Undoubtedly the exercise of a monopolistic economic power by these big industrial groups is highly undesirable. It is uneconomic, however, to set up competitive, co-operative or other collective under-

[1] By April, 1934, 392 such organisations had been formed

takings, or to attempt to destroy this economic power simply by granting more freedom to smaller producers and traders. Undoubtedly large-scale economic and industrial organisation can provide the most economical production and distribution, and thus can afford the greatest possibilities of better working conditions, and lower prices, better services and facilities. Economic progress consists rather in bringing such organisations under State control and, eventually, ownership, and in forcing them to serve a national purpose and to fit in with a scheme of national planning and control of industry. Meanwhile, German and Norwegian experience suggests how, by publicity and registration, and by certain measures of control, their most harmful activities can be prevented. Such national action, however, needs, increasingly, to be linked up with effective international action.

At the same time large-scale undertakings must not be allowed to suppress small ones ruthlessly, and without compensation. National economic policy must protect the legitimate interests of the small undertakings; which must be organised properly within their different branches of the economic system.

(6) *Industrialisation of Public Undertakings*

During recent years there has been a definite movement away from the pre-war Socialist idea of State-managed industrial undertakings. The present tendency is not to advocate direct State management of such undertakings by a Government Department, but to suggest forms of organisation and administration which would give them considerable autonomy and independence of the political authority. The search has been made for a form of public control and administration somewhere between control by the State and control by Trade Unions. It is worth while examining this movement of Socialist ideas. The German Socialisation Commission, after the Great War, with the strong support of its Socialist members, condemned the old forms of State

management and advocated administration, for example of the coal industry, by bodies representing the State, workers and consumers, with ample scope for technical experts. Similar ideas were expressed, at that time, by the Austrian Socialist leader, Otto Bauer, in *The Path to Socialisation*. When the Swedish Socialist Party took office, under the late M. Branting, an early Act was to appoint a Commission to investigate the administration of the State railways, which reported, including Socialist members, in favour of their industrialisation. As far back as fifteen years ago much responsible Trade Union opinion expressed itself in favour of the principles of autonomy and management by technical experts for State industrial undertakings; and this opinion has been steadily maintained. At the International Miners' Congress at Geneva in 1920, in the discussion on nationalisation the Belgian delegates stated that they were pressing that in new mining concessions the form of exploitation should be an autonomous company, in an industrial form, but completely separated from the State.

A Memorandum on the Socialisation of the Means of Production submitted to the special International Trades Union Congress held in London, November 22nd–27th, 1920, by J. Oudegeest for the Commission on Socialisation, said, *inter alia*:

> Everything should be done to secure the full and devoted co-operation of non-manual workers, technologists, engineers and administrators. . . Political bodies can exercise supreme control on financial management and can formulate policy, but must not interfere with administration; undertakings should retain full autonomy. Industrial policy must be in the hands of a Council of Administration and Supervision composed of experienced persons, managers, technicians or workers. Transport should be organised under a Transport Guild representing all parties, to act as the traffic authority and maintain roads, canals and railways

A report on Socialisation of the Means of Transport submitted to the General Congress of the International Transport Workers' Federation at Hamburg, 4th–9th

August, 1924, by Marcel Bidegaray,[1] said, *inter alia*: "Bureaucracy and red tape must be superseded in administration and, while labour will have its share of control, great responsibility will fall on the technical experts".... It says that the opinion of the workers is that State administration as practised hitherto is not infallible, and while public administration has brought undoubted advantages to the workers, they demand the right to share in controlling production. It rejects entire control by the workers, as offering only a substitution of group for capitalist interests; a new social order is not established by mere transfer of economic power; the best changes will further the whole community's interests.

Parliament should exact greater precision and clarity in respect of the State's industrial concerns; their finances should be segregated from State finances, and only the profit or loss revealed in the Budget ... The aim should be full economic and financial self-sufficiency.... The railways should be governed by a Board representing the railwaymen and technicians, the leading trade unions, the chief users and public authorities This Board would elect a permanent Committee to be responsible for management The mercantile marine should be similarly autonomous. The Central Board would comprise representatives of officers and seamen, technical experts, associations of users (shippers and consignees) and delegates of co-operative societies. Local port organisations would be associated with this Board.

The International Railwaymen's Conference held at Bellinzona from 30th June to 2nd July, 1925, declared that the railways must be the exclusive property of the State.

The administration and management of the State railways must, however, be absolutely independent of the State political institutions. The administration should be confined to a Railway Council composed as follows: Three-tenths, members appointed by Parliament; three-tenths, civil servants appointed by the Government, two-tenths, appointed by the Trade Unions representing

[1] See, also, M. Bidegaray's report on "Industrialised Nationalisation of Railways", to the French Railwaymen's Federation, *Le Peuple*, 10.6 30.

the staff and freely elected; two-tenths, appointed by associations of users of the railways (half by the representatives of private property and the other half by representatives of workers' co-operative societies). The Railway Council shall elect from among its members a Board of Management, upon which the groups above-mentioned shall be represented in the proportions of 2, 2, 1 and 1 respectively. The Board of Management shall choose a General Manager who shall be in charge of the management and administration of the undertaking, assisted by the Railway Council. The powers of the two bodies shall be fixed by Act of Parliament The internal organisation of the two bodies shall be drawn up by the Board of Management in agreement with the Railway Council and shall be submitted for the approval of the Government. It is also the duty of the Trade Unions and the Socialist Labour Movement in all countries to work for the nationalisation of the Post Office, inland navigation, motor transport and flying services, and for the concentration of these services under a management similar to that above described and under the supreme control of the Ministry of Communications.

In Great Britain, for example, the proposals of the Railway Clerks' Association for public ownership and control of the British transport system, and of the Iron and Steel Trades Confederation, point in the same direction. Again, an important report presented by the General Council of the Trades Union Congress to the 1932 Congress urged administration along such lines.[1] The late Mr. W. Graham, speaking in the House of Commons, on the London Passenger Transport Bill, 1931, Second Reading,[2] as a leading member of the British Labour Party, said that "the old idea of bureaucracy" implied operation "from Whitehall, through the Civil Service, by a Government Department", which was not the Socialist way of transition to public ownership. Business experience would be used. Approving the kind of public corporation adumbrated by this Bill he said: "It has the elasticity of a small and capable organisation, without the endless review of committees and

[1] See Trades Union Congress, *64th Annual Report*, 1932, Newcastle-on-Tyne, pp 206–19.

[2] See *Hansard*, Vol 250, 23.3 31, C. 172–173.

Ministerial direction." It was "nationalisation, if you like, in the sense that ownership passes to the people, but not nationalisation in the sense of some great State machine". Politics would not be brought into management at every stage; for management on business lines would not occur if those in charge were exposed to every wave of public feeling, prejudice and misrepresentation. Those in charge must be given considerable freedom for operation on business lines, subject to financial and other conditions laid down.[1] Mr. Herbert Morrison's attitude to transport problems, as explained in his recent book,[2] is very similar. In its scheme outlined for the mines, railways and iron and steel undertakings, the British Labour Party provides for their administration on somewhat similar principles; although it does not go as far as some continental Socialists would go in this direction. This evolution of Socialist and Trade Union opinion is in keeping with the facts of economic and business experience. The old idea of nationalisation has given place to a new conception of the administration of economic affairs by experts, i.e. of industrialisation. This new conception retains State ownership or control of industrial undertakings and provides for Parliamentary control[3] of broad principles of policy, operation and finance, with annual reports to Parliament and proper public auditing. Day-to-day Parliamentary criticism of administrative details is, however, avoided, and technical experts are given ample room for exercising initiative. Moreover, the finances of such concerns are kept separate from general State finances and are not regarded as existing mainly to be milked by the Treasury. The experience of existing State-owned and directly managed concerns supports the view that such a newer form of

[1] Ibid, C 171 [2] *Socialisation and Transport.*

[3] It is significant that the Bridgeman Committee on the Post Office (Cmd 4149, 1932), while urging certain reforms, e g the creation of a Board of Management, the withholding of certain profits from the Treasury, the creation of an Advisory Council as a link with the public on policy, insists on Parliamentary discussion and control and on Government control. At the same time some of its fears of the independent form of administration are illfounded

management and State control is highly essential. Take the experience of the British Post Office. There has been far too much general Cabinet interference and the Treasury has used this admittedly well-run national concern as a means of feeding the national revenues. Much more latitude should have been given to the Post Office; and its revenues ought to have been used first to reduce charges to the public. The development of various branches of the Post Office has been hampered.[1] The experience of German directly-managed State railways was similar.

(7) *Some Aspects of the Administration of Public Undertakings*

Under a collective economic régime the fullest possible scope would be given to technicians; and it is quite possible that many of the heads of private industrial undertakings would retain their positions of management, but as servants of public concerns. The finest technical experience must be enlisted for the public service. Adequate salaries must be paid to technical experts. Moreover, for some time, bounties may have to be paid to the workers and scientific methods of payment may have to be practised in order to maximise output and efficiency: Russia has seen the wisdom of this. In the distant future one firmly believes that it will be possible to produce men and women, who, imbued with the ideal of public service, will be content to serve the State in responsible positions for remuneration nearer the level of that of workers with less responsibility; but, till then, the State must safeguard its technical requirements in meeting their demand for high salaries.

Sometimes, as, for example, at the 1930 Annual Conference of the British Independent Labour Party, it is objected that State industrial undertakings should not be freed from party and political interference. A

[1] Cf. a lecture by A L Dakyns, then Lecturer in Public Administration, Manchester University, at the Local Government Officers' Summer School, Oxford, August, 1931

misunderstanding often arises here; for Parliament will remain a Court of Appeal and will review their working annually. Moreover, important matters of policy and general administration will always be able to be raised in Parliament periodically. It cannot be argued reasonably, however, that Parliaments, as at present constituted, are best fitted to manage large-scale industrial undertakings. In any case, in any ideal organisation of the economic system, some of Parliament's supervisory functions surely would be handed over to a National Economic Council; for the normal requisites for candidates for Parliament do not necessarily cover knowledge of a kind enabling the most effective criticism of technical, industrial undertakings. Moreover, purely party and political controversies must not be allowed to upset the businesslike working of such public concerns. Again, narrow political influences could be brought to bear, too easily, on such organisations in order to secure concessions and appointments to staffs. With this in mind, one welcomed as a good sign the recent circular sent by the London Labour Party to its members on Local Authorities, urging them to discountenance any form of nepotism. In regard to staff questions in such undertakings, a method must be found of ensuring that promotion goes by merit and not merely by seniority in length of service.

A public industrial Administration must be able to act swiftly as circumstances dictate. Experience of Committee Government, of certain municipal trading services, emphasises this; for, although by the nature of Municipal Government, control by committees gives to the technical heads of such services a little more freedom than is given in certain State services directly managed, nevertheless municipal experience suggests that there is room for advance in the above-mentioned direction. Support for this contention and, at the same time, an interesting illustration of Socialist opinion on this point, was furnished by Mr. P. J. Dollan (a Socialist), as Vice-Chairman of the Glasgow Tramways Committee, who, in a paper read to the Conference of the Municipal Tramways and

Transport Association, in September, 1928, criticised severely the administrative methods of Municipal Corporations in contrast with Joint Stock Company management, which, he said, could give more rapid decisions and effect more quickly an executive's conclusion than a Municipal committee running a Municipal trading undertaking. In fact, he adumbrated the use of the company form for such Municipal concerns. This view was supported strongly by the *Municipal Journal*,[1] which, absolving the management from blame, condemned the obsolete system of attempting to control all minor details in the working of such services through a committee.

It follows, therefore, that, as far as possible, technical control and day-to-day administration will have to be centralised in as few hands as possible. Methods of democratic control of policy must not impair the concentration of responsibility in administration. Soviet Russia found the limit to democratic control, after a little experience of giving workers' committees too much power over technical questions. Recently individual managers of undertakings have been given much more authority.[2]

Another most important aspect of such public administration is that there shall be adequate provision for a thorough and regular system of audit. The use of public funds must be submitted to the closest scrutiny by the most competent professional body. Accounts must be kept properly in the prescribed form; and there must be insistence on the right kind of economy. The body conducting the audit should be the highest professional authority in the country in this branch of science. It should be as independent as the judiciary and absolutely fearless in its reports, comments and criticisms.

At the same time separate public undertakings would operate within a framework dictated by a national plan

[1] 21 9 28

[2] Cf the Order, 28th November, 1935, extending the powers of managers of State farms, and the permission given, in the summer of 1935, to Soviet organisations engaged in foreign trade, to be responsible for their own transactions.

controlled by a National Economic Council which, itself, would exercise close supervision over certain aspects of the working of each branch of industry.

(8) *Appointment and Composition of Boards of Management*

One of the most vital aspects of the study of collective undertakings of this kind is, assuming that the old form of administration by a State Department has been discarded, the approach to the problem of appointing Boards of Management of such undertakings. Who should appoint them and how should they be composed? Certainly the Government should have the power of, and be responsible for the appointment, and have the power of removal; as there must be provision for final responsibility to the Government and to Parliament this is most essential. Moreover, the Government is less liable to pressure from various interests and influences and is more open to public criticism. When the recent London Passenger Transport Board was set up, the Government provided for appointments to it to be made, not, as in the cases of the B.B.C. and the Central Electricity Board, by it direct, but by a small group of "Appointing Trustees".[1] But how will a Board be composed? Will it be appointed by a Minister solely on the ground of capacity and experience, or will the principle of giving representation to certain interests be applied? Undoubtedly the former method must be adopted, if the efficient conduct of the concern be the primary consideration—as it should be. Selection must be made only according to the ability of candidates, and, granted absolute loyalty, irrespective of party, political considerations. Running a modern industrial undertaking is a technician's job.

This principle has not operated in appointing the management of such public Boards as the Port of London Authority—on which representation was given to special interests like those of Local Authorities, the State, the

[1] See pp 211–12 Even here, however, the Government can remove a member for certain reasons.

Metropolitan Water Board and users—and the B.B.C.; though it has been applied in making appointments to the Central Electricity Board.[1]

Many Trade Unionists and co-operators urge that their interests ought to be represented specifically on Boards of Management; the former because they believe that the workers in an industry should have a powerful voice in its Government, and the latter because they think that an industry ought to be run very largely in the interests of the consumers. On this point it is significant that the strong demand voiced some years ago by leading Trade Unionists, and by many Socialists, especially "intellectuals", for such a measure of workers' control in industry as would give them a considerable degree of representation on, if not control of Boards of Management of such undertakings, has died down. Now Mr. G. D. H. Cole wants each Board to comprise "a few men of undoubted drive and competence",[2] combined, he adds, with Socialist conviction. The latter is a dangerous addition to his qualification; for while conviction as to the desirability of developing a collective economy is a splendid thing, technical competence—always assuming loyalty—is the most important, and indeed the only vital qualification for such a task. Leading Labour Party politicians have declared against direct workers' representation on Boards of Management.[3] Again, many

[1] It is interesting to note that Mr Herbert Morrison, as Labour Minister of Transport, provided for appointment to the London Passenger Transport Board solely on grounds of ability, in his Bill, which was amended later See his letter to *The Times*, 29 11 32, and his book, *Socialisation and Transport*

[2] *The Socialist Control of Industry*, Socialist League pamphlet, 1933

[3] See the Labour Party and Miners' Federation's Proposal for an Experts' Power and Transport Commission, to the 1925 Samuel Coal Commission Cf this with the Fabian Society's 1913 proposal for direct State management by a Mines' Minister, the 1919 Miners' Federation's (and, more or less, the Labour representative on the Commission) proposal to the Sankey Commission for a Mining Council appointed equally by the State and the Federation, working directly under the Minister, and the Sankey Commission's report, asking for operation by a Minister advised by a Mining Council See also the Labour Party's present proposals for a National Electricity Board and a National Transport Board *Reorganisation of the Electricity Supply Industry*, Labour Party Policy Report, No 3, 1932, and *National Planning of Transport*,

leaders of Trade Unions do not now demand this kind of direct representation. For example, the recent plan for a collectively operated iron and steel industry, accepted by the 1934 Trades Union Congress, on a proposal by the Iron and Steel Trades Confederation, asks for the Board of Management to be composed of ten persons all appointed by the President of the Board of Trade, after consultation with the Trade Unions, "on the ground of their competence to conduct the affairs of the industry" and holding office for a specified term of years.[1] Moreover, this Iron and Steel Corporation scheme has "to be read in conjunction with the general reports on the Public Control and Regulation of Industry and Trade, adopted by the Trades Union Congress in 1932 and 1933". The Report adopted in 1932[2] declared that: particular interests such as those of Trade Unions "should not nominate members" to Boards, "but should rather be represented on any Advisory or Consultative Boards, deemed necessary"; and, again, that members of Boards "should consist neither of technical experts nor of representatives of particular interests, but of persons appointed solely for their ability to fill the position". Any of the persons appointed might be chosen from the business world, the Trade Union movement, the financial world, public administration, and so on, but not as representatives of such sectional interests. Unfortunately, however, even here, the old danger still lurks; for, in the above-mentioned 1933 Report,[3] which was adopted jointly with the Labour Party's Executive Committee,

Labour Party Policy Report, No 2, 1932. Consult also, *Socialisation and Transport*, by Herbert Morrison, and the Labour Party's London Passenger Transport Bill Mr Morrison wants workers to sit, as full equals, on such Boards, but to be appointed by a Minister of the Crown because of their fitness for their duties The Minister, in appointing, would be freer from sectional interests

[1] *The Times*, 8 9 34, and Trades Union Congress, *66th Annual Report*, Weymouth, 1934, pp 202–4.

[2] Trades Union Congress, *64th Annual Report*, Newcastle-on-Tyne, 1932, pp 210 and 214–17.

[3] Trades Union Congress, *65th Annual Report*, Brighton, 1933, p 210

organised labour claims for trade unions in the industry the right to nominate persons for appointment to such a Board. This claim of organised labour that it should have its place in the control and direction of publicly-owned industries is accepted. It is agreed that in order to give effect to this object there should be consultation between the responsible Minister and the Trade Unions concerned.

Under a Labour Government, liable, naturally, to strong Trade Union pressure, this would be a powerful demand, indeed, for Trade Union control of nationalised industries. As will be seen in a minute the right to nominate is really a demand for direct representation. The declarations of policy by that important Trade Union, the Railway Clerks' Association, support this fear. In its Bill, drafted in 1918, the management of railways and canals was to be in the hands of six Commissioners, two appointed by the Government, one by the Treasury, and three by the Government on nominations submitted by the railway Trade Unions. Its 1921 Bill provided for the Minister having the power to appoint an additional Chairman, making seven members. In its evidence to the Royal Commission on Transport in 1929, it urged "a small Board of full-time Commissioners, chosen for their suitability and representative of the State and railway workers respectively".[1] Its 1933 Conference declared that the Board

should be single-minded and independent of all extraneous "interests", its members being appointed on grounds of suitability and fitness for the great task of control and direction and the formulation of general policy in the public interest. . . . It should be appointed by the Minister of Transport and he should be required to select a quota of the personnel from nominations submitted by Trade Unions representing workers in the industry.

The Conference, however, rejected a motion that there should be no demand for any provision for special Trade Union nominees on the Board. Thus, while the overriding importance of the consideration of efficiency was strongly endorsed—it being held that a Trade Union

[1] *Railway Service Journal*, June, 1933, article by F. Watkins.

nominee should resign his Trade Union post on accepting appointment, as he could not owe allegiance to the public and be a Union delegate on the Board—and the former syndicalist conception of "the railways for the railwaymen" was rejected, the old idea of direct representation was really retained.[1]

There is still a very uncertain frame of mind in the Trade Union and Labour movement on this matter; and, indeed, a clash of opinion. For example, at the 1933 Trades Union Congress, the above agreed Memorandum between the Labour Party Executive and the Trades Union Congress General Council was adopted. The General Council had had to change its view; because, while at the previous 1932 Trades Union Congress the General Council had recommended appointment to Boards solely on grounds of ability without representation of special interests (although it was, of course, expected that persons from the Trade Union movement would be found therein), the delegates strongly criticised this proposal and wanted the Unions to have a statutory right to an adequate place on Boards of Management responsible for the general control and direction of each socialised industry or service. Moreover, replies to a questionnaire sent by the Council to the Unions had shown that the preponderant view was that Unions should have direct representation on Boards. At the 1933 Trades Union Congress, also, a motion demanding that a 50 per cent representation of workers' nominees on Boards should be given as a statutory right was defeated![2] At the 1934 Trades Union Congress, on the contrary, a motion was adopted, declaring in favour of a 50 per cent representation of workers on Boards of Management as a statutory right, and referring the question of workers' control back to the General Council

[1] *Daily Herald*, 24 5 33

[2] Trades Union Congress, *65th Annual Report*, pp. 370–9 Although the resolution was very clumsily worded it appeared to aim at ultimate control of industry by the workers, in which workers' control the Trade Union representatives would be the nucleus of representation for all workers—manual, clerical, technical and supervisory.

for united action; because the 1933 Labour Party Conference had decided in favour of a statutory right to effective representation on management committees of workers' nominees![1] As for the Labour Party itself, at its 1932 Conference its Executive's proposal to make appointments solely on grounds of ability, with no statutory right for Trade Union representation, was opposed by the delegates and referred back![2] The 1933 Labour Party Conference revealed a big cleavage of opinion on this vital issue. In the discussion on the agreed memorandum adopted by the Labour Party Executive and the General Council of the Trades Union Congress, the Conference adopted, against the pleas of the Executive and even of the Transport and General Workers' Union this time (!), an addendum to the memorandum giving the workers a statutory right to an effective share in the control and direction of socialised industries, through the Trade Unions.[3] The 1933 agreed memorandum, which was intended to be "a basic principle of Party policy in connection with the nationalisation of industry", pointed out that there was a difference between the functions of management and day-to-day administration. The latter, it said, "is quickly becoming a profession and the persons undertaking this work will have to be trained business administrators",

[1] See the Trades Union Congress, *66th Annual Report*, pp 371–3, and *The Times*, 8 9 34 This resolution also was worded very badly

[2] See the *Report of the 32nd Annual Conference of the Labour Party*, Leicester, 1932, pp 214–24, Transport and General Workers' Union Amendment, asking that certain members of Boards of Management be appointed only after consultation with the Trade Unions having members employed in the industry

[3] The conference adopted the following resolution moved on behalf of the National Union of General and Municipal Workers. "This Conference declares that wage-earners of all grades and occupations have a right which should be acknowledged by law to an effective share in the control and direction of socialised industries which their labour sustains It instructs the Executive Committee to prepare plans for the operation of the principle in socialised industries and services by direct representation through Trades Unions, secured by statute, on the Board of direction and control and other administrative bodies in the industry or service. The conference asserts the right of the Trade Unions to retain their present powers and functions relating to the conditions of employment and pay" See the *Report of the 33rd Annual Conference of the Labour Party*, pp 204–9

It said, further, that above this day-to-day administration must be "a Board of Management and Control"; and it was on this Board that Trade Unions claimed a statutory right of representation. It did not, however, give a precise definition of these respective functions of administration and management; or an explanation of the relation between the two controlling groups. This, unfortunately, is only too characteristic of much Socialist thinking. Had it in mind, for example, a form of State undertaking, like many such undertakings in Germany, to which reference already has been made,[1] in which the State owned all the capital of a company, which then elected its Board of Directors? Probably not; but there is something to be said for this method of State control, even if not through a company form of undertaking. There might be a Council exercising the function of control, as in the case of a shareholders' meeting, which would meet at regular, but not too frequent intervals, on which representation might be given, in addition to the State (with a majority), to certain interests like those of the Trade Unions in the industry, the consumers, and, in appropriate cases, certain other interests such as local authorities. This body might elect the Board of Directors (business and financial experts) which would be responsible to it in the customary manner. In any case, adequate provision would have to be made for final Government control.[2] There is, perhaps, an interesting parallel, in principle, in the method adopted for governing the International Labour Office at Geneva. Here the

[1] See, for example, pp 222–5

[2] It is interesting to note certain Rumanian legislation on this point. The 1929 Rumanian Law on Commercialisation of State undertakings laid down the principle of the preponderant influence of Public Authorities in the purely administrative conduct of a commercialised mixed concern, and the dominance of representatives of private capital in technical and commercial management. Two-thirds of members of the Administrative Council were to represent private capital On the contrary, in addition to its representatives in the Administrative Council and in the Management Board, the Public Authority would hold a majority in the Committee of Commissioners entrusted with the control of the management of the company The Government representative also could have a final veto over the Administrative Council.

Governments appoint to the Governing Body their own representatives (with a preponderant representation), likewise the workers and employers. The Governing Body then elects the Director and controls the policy and administration of the Office. The workers', and other interests might, alternatively, find satisfaction in some kind of advisory body or Council, with certain rights, as in the case of the London Traffic Advisory Committee.[1] Such a body might well be consulted, for example, on questions of prices. What must not happen, however, is that the workers should get a statutory right to be represented directly on Boards of Directors and of Management; certainly they should not get the right to 50 per cent of members of Boards chosen by Trade Unions; as advocated by the Union of Post Office workers,[2] in a Report by its Executive Committee on workers' control, adopted at its annual conference at Douglas, Isle of Man, in May, 1933,[3] which, in a scheme of joint control for the Post Office, advocated administration by a Board comprising an equal number of State and Trade Union nominees, the Post-Master General having a casting vote.[4]

(9) *Conclusions*

This survey of the principles governing collective intervention in industrial and economic undertakings and of the various forms which collective intervention has taken, is taking and should take, may be summarised thus. Such collective intervention should occur wher-

[1] The Labour Party and Miners' Federation plan for public ownership and control of the mines submitted to the 1925 Samuel Commission provided for the establishment of a representative Coal Consumers' Advisory Council with certain functions

[2] And also by G D H Cole and W Mellor in *Workers' Control and Self-Government in Industry*, New Fabian Research Bureau

[3] See Supplement to *The Post*, Union of Post Office Workers, Conference Report, 1933, p. 47, and *The Times*, 11 4 33, and *Daily Herald*, 29 4 33 It will be remembered that the Bridgeman Committee, reporting in August, 1932, advocated control of the Post Office by a Board representing the various functions involved, with the Postmaster General as Chairman, and a Director-General as General Manager and Deputy Chairman.

[4] Regional and local Boards being formed on the same lines

ever it is possible; for the principles on which it is based are the soundest economic principles. Inasmuch, however, as the existing economic system, outside Russia, is based upon a belief in private property and in the efficiency of private enterprise, it is necessary to convert a majority of public opinion before any large measures of intervention can be taken. At the same time it should be borne in mind that such opinion is being educated by economic necessity, which is forcing Governments and interests which do not like the principles and ideas of collective intervention to resort to it as the saviour of stricken parts of the economic system. Experience has shown that revolutionary action taken without this basis of consent may well spell failure. Nevertheless, any party committed to a policy of such collective intervention, if it is fit to govern, must not shrink from taking what might be regarded normally as revolutionary measures in an emergency. It must never flinch or quail before private or sectional interests where larger community interests call for action. Perhaps it is best to say that circumstances must dictate the course of action—which may also differ somewhat from one country to another, at a given moment, even if the fundamental principles governing such intervention are the same. The fundamental principles governing collective action by Governments (it being understood that various forms of collective penetration will occur apart from direct and special Governmental action) on a large scale should be: that the sternest efforts should be made, at the point where capitalist concentration is strongest, upon key industries, basic services, new industries and, above all, upon the banking, financial and investment system; that the development of rationalisation on the widest possible scale is an excellent preparation for national collective intervention; that mere piecemeal collective intervention in separate, isolated industries is insufficient to-day, for, as the experience of rationalisation and of this economic crisis shows, national planning and collective control of the whole economic system are

essential to successful collective action; that even this is insufficient, for there are only too manifest limitations to national collective action: there must be a development of international collective action (to which fuller reference will be made later); and, above all, that the problem of collective ownership and control is a technical one—such things as political enthusiasm, party loyalty and long service, at their best, are but poor substitutes for technical competence and administrative ability.

There has been, and there could be, no uniform method of intervention: there are different political, social and economic conditions in different countries. Outside Russia there has been no firm and protracted collective experience over the whole economic system. In other countries, in the first place, alongside the various forms of State and other public authorities' intervention, various other forms of co-operative activity on a collective basis occur. The only uniform action that should be taken would be, that, wherever a Government committed to collective economy obtained complete power, it should establish national plans and execute them through a co-ordinating National Economic Council and that it should be inspired by the above-mentioned principles.

We have seen that some publicly-owned concerns are operated directly by the owning Public Authority, while others are operated under various special forms, in the supposed interests of expediency or efficiency. The company form has been utilised, and the Public Corporation. Again, there have been joint ownership and operation by several collective authorities. Then there is the mixed undertaking, in which one (or more) Public Authority or other collective concern owns a part or a majority of shares.

In the sphere of control, Public Authorities have exercised an extraordinarily wide influence, in a great variety of ways; ranging from the right to control natural resources and to resume concessions to wholesale con-

trol of whole regions and of the whole economic system in peace and in war.

Collective concerns have been granted monopolies: they have competed with private enterprise. The State has rendered great services to private enterprise by granting financial aid, with or without a compensating advantage. Governments have directly resorted to, or have encouraged the use of, barter to overcome the breakdown of normal national and international trade.

The co-operative and Municipal forms have served a most useful purpose and will continue to do so; although their scope must be limited as national control develops. A study of the principle of several co-operative forms is specially instructive. Moreover, there exist interesting forms of joint co-operative and Municipal enterprise.

One of the most important lessons of this vast experience is that the old form of direct management of such undertakings by the State through a Government Department is dead. Other forms of administration have been evolved; such as the company form and the public Corporation; both of which give greater elasticity, flexibility and opportunity for exercising business initiative than operation by direct Ministerial control. At the same time it has been, and must be insisted, that whatever the form, there must be adequate provision for ultimate State control on questions of broad policy and for Parliamentary discussion of administration from time to time.

The development of Socialist and Trade Union opinion on the question of the method of administering public enterprises of this character reveals the same trend of thought; and there is a consensus of opinion on certain points among members of all parties. Perhaps the most apt designation of this tendency in the management of publicly-owned industrial concerns is that it is one of industrialisation.

In examining certain aspects of the administration of such enterprises, stress has been laid upon the necessity of securing the most competent technicians, well paid

and given ample scope, for exorcising all tendencies towards purely party or political influences in administration, for brushing aside ruthlessly all nepotism, for the provision of an adequate system of independent audit, which should be fearless, and for the concentration of directive power in as few hands as possible. Also, in appointing members of Boards and similar bodies charged with the responsible tasks of administering collectively-owned property, the test always must be, fitness for the job and not the securing of a proportionate representation of certain interests, such as Trade Unions. It should be emphasised, further, that the State, in administering its industrial services, should aim at behaving as a model employer. Pending the time when it will be able to dictate terms to all private enterprise, it can set an example to private industry in the treatment of its workers. This will, and must, be one of the acid tests of such enterprises.

To a great extent this problem has had to be examined from the standpoint of the partial intervention by Public Authorities, and the parallel growth of other forms of collective intervention. Clearly, the gravity of the present economic situation demands the speediest State intervention on a large scale in all countries. In the general development of a plan of collective economy by a Government backed by a majority of public opinion, it would be advisable that the State should avoid the possibility of Parliamentary delays in expropriating individual enterprises and in executing its general programme. It should pass a general Enabling Act, therefore, at once, on taking office, assuming wide powers, as did President Roosevelt.

The Austrian Socialist Government, after the Austrian revolution at the end of the Great War, attempted to pass a law giving the State and other Public Authorities general power to take over private enterprises in certain circumstances; but this was whittled down to a law on general procedure on expropriation by a special law. If a general Act could be got through Parliament it would

accelerate the speed of collective intervention. Such a law should give the Government, the National Economic Council or other special body power to take such action, on general principles laid down as to procedure and compensation, the Tribunal for assessing compensation and any provision desirable for appeal. The British Labour Party has contemplated the passage of a Local Authorities' Enabling Bill, giving Local Authorities general powers to operate certain undertakings, without the necessity of delay and expense involved in promoting special legislation for every projected intervention of this kind. In principle it is this kind of power, with the right of expropriation, which should be assumed. On this point, however, it should be stipulated that while Municipalities should be given reasonable freedom and facility in developing trading services there should be provision for a central co-ordinating authority to have a power of veto; because of the necessity of realising the economies of large-scale economic organisation, avoiding the duplicating of capital investment in small adjacent units and securing co-operation with the State and other collective organisations.[1]

During the period of transition, and in taking piecemeal action as opportunity arises, parties imbued with the ideas of collective economy should keep their ideas as resilient as possible. A strong desire to establish purely collective enterprises must not prevent the seizure of all chances of promoting economic efficiency (upon which the ultimate success of a full measure of collective economy will depend) by other means, such as co-operation with private enterprise. It is even conceivable, for example, that in the transition period, while a Local Authority might very properly wish to socialise a local service, the Government would see greater economies and a speedier advance to a larger measure of collective economy in providing for the establishment of a mixed undertaking, in collaboration with private

[1] It was doubtless the realisation of this, among other reasons, which led the last Labour Government not to encourage the passage of such a Bill.

enterprise. In recent years, British and German Local Authorities have realised the importance of this consideration in connection with local transport; and, like Sheffield, with a Socialist majority, have participated with private railway companies in securing the economies of operation on a larger scale without competition. Doctrinaire insistence on running a Municipal enterprise, at all costs, on a smaller scale, would have robbed these services of a larger penetration of collective influence, the citizens of cheaper services through large-scale enterprise and the workers of an opportunity for a higher standard of living. Of course, the earliest chance of putting the larger concern on a full collective basis should be seized.

It must ever be borne clearly in mind, however, that, while it is imperative that industrial and trading undertakings should be owned and operated on a collective basis, for reasons previously stated, this is only a means to an end. So far, in the countries where this experience has gone farthest, other than Russia, the idea behind such developments has been to develop what Walter Lippman [1] calls a "Compensating Economy", rather than a real, collective economy; an economy in which the Government organises economic activities as if it were a huge body able to throw its weight into the scales to preserve the economic system (still conceived as being rightly based on individual, private enterprise and private initiative throughout the whole realm of production and consumption—apart from certain public works and public utilities) whenever such private enterprise and initiative break down, enabling them to function more healthily in the interests of private profit. Like Lippman,[2] they seek, in a vain attempt to keep the breath of life in Liberalism and Capitalism, to find a *via media* between rabid individualism and laissez-faire, on the one hand, and collective economy, Socialism or

[1] See *The Method of Freedom*, London, 1934.

[2] And certain groups connected with the Churches, Mr. Lloyd George and the group responsible for the publication of *The Next Five Years*.

Communism (or even, in certain of their economic aspects, Fascism and Nazism), on the other. They still want the present economic system, with certain modifications of its price arrangements and a certain softening of its anarchic competition, to remain. They are still prepared for labour to be the bottom dog, with no status in industry, and to throw to it a few more crumbs in the shape of codes and slightly improved labour conditions. The root causes of capitalist disorder, the desperate will to cling to private property and private enterprise, and their concomitant, virulent economic nationalism, remain untouched. Increasing doses of State capitalism must be welcomed as a step towards a real collective economy. They offer, indeed, an opportunity for the alleviation of the misery of the mass of the people. The supreme tests of the efficacy of methods of collective intervention, however, must be: do they result in a higher standard of living for the mass of the people, do they effectively conduce to a just distribution of the national wealth, do they destroy the "master and servant" relation inherent in the capitalist system, do they promote internal and international peace by removing the root causes of poverty and war?

From the political point of view there is another vital reflection. The achievement of this radical and revolutionary change (though not necessarily by so-called revolutionary methods) in the economic, and hence in the social system, cannot be the product of the efforts of the working class, narrowly conceived alone. It requires the co-operation of the middle and professional classes and the technicians. For immediate practical purposes, moreover, there is a point of reconciliation between the interests of these sections and the business man. The latter is, himself, and has been for some time, the victim of the finance capitalist, in whose interest the economic system is primarily run. In a moment of crisis when the national economic system is at the crossroads, it is the bankers and those sections of the community with purely financial interests, which dictate

policy.[1] Identity of interests between these sections cannot, however, be complete; for there is an ultimate and a fundamental cleavage of interests between all who cling to private property and private enterprise for the sake of the power which they confer, at the expense of the vital interests of the mass of the people. Vast numbers of the middle and professional and technical classes are greatly underpaid in proportion to the work that they perform; as compared with what the financial interests draw from the national dividend. Their standard of living should be higher. Their troubles, only too obviously, are not nearly so acute as those of the working class, but they are real to them. A properly-conceived political policy for to-day would rally these groups to one banner, instead of allowing them to be kept apart by a false emphasis in the propaganda of the protagonists of a collective economy. United, in this, as indeed every modern State, they could remould the capitalist system and build a new Commonwealth inspired by the ideas of collective economy. Economic necessity is aiding this process. Let not out-of-date political methods, and party shibboleths, stand in the way of this great movement! This study of the methods to which Governments and economic groups have been driven by the inexorable pressure of events is the firmest basis for a faith in collective economy. It is well that this should be inspired by humanitarian sympathies; but in the grimly realistic economic world of to-day, it matters more, for practical purposes, that, having studied the evolution of the economic system, we find an economic determinism in operation that confirms our simple faith. We are on the side that must inevitably win, however

[1] Cf. Dr Somary, *Changes in the Structure of World Economics since the World War* (London, 1931), pp 173–4 "The idea of linking enterprises together into monopolies, the systematic control of production, and, above all, elimination of the owners from management and the reduction of their status to mere property owners, is the common ground on which entrepreneurs and Socialist leaders meet, although they may not realise it The great entrepreneur of to-day has more in common with the Socialists than with the bourgeoisie, not even excluding his own shareholders." (See also *The Statist*, 11 4 31)

long the battle, however bitter the struggle. The new capitalism has so modified the structure of capitalism, by the evolution of trusts and other large-scale enterprises, as to make the transition to a collective economy, from an industrial point of view, easier than before. These realisations make our belief in economic determinism no longer a mere theory. Capitalism has evolved its own economic determinism, blind, chaotic, unregulated; but the collective economy will reveal a determinism seen in a system of logically organised social expansion.[1]

[1] J. Dewey, in *The New Republic*, quoted by H W. Laidler, in the *Revue économique internationale*, February, 1931, p 269.

CHAPTER VIII

RATIONALISATION AND COLLECTIVE INTERVENTION

DURING a number of years the panacea for economic ills has been said to be rationalisation. Although generally supported as a means of enabling private enterprise to stand more firmly on its own feet, actually it is a step towards the collective economy; for rational, as opposed to the existing, competitive, anarchic and irrational management of our economic life, must tend, by eliminating competition and by promoting large-scale industry and economic organisation, to promote public intervention to prevent the abuse of monopolistic power. Further, it is easier for Public Authorities to take over ownership and control of industrial services when private ownership and control are concentrated in few hands. Rationalisation, moreover, in improving industrial organisation and management, is simplifying the utimate task of public authorities. Rationalisation, in its aspect of amalgamation and trustification, is preparing the ground for collective intervention. Moreover, it is recognised, even by private interests, that, in great crises to-day, industry needs State help and that rationalisation leads necessarily to that. Thus, Mr. Lennox B. Lee, in his address as Retiring President of the Federation of British Industries, in April, 1930, said that "rationalisation and replacement involve a big capital outlay, requiring the co-operation of the banks, and the support and, on occasion, the authority of the State". Collective intervention, in one aspect, is only the management on the

most rational and scientific lines of the community's economic resources.[1]

It is a profitable study to examine the movement towards rationalisation in different industries, in Great Britain.

Developments in Great Britain

(1) *Industry*

Air Transport.—To mitigate the evils of competition, in 1924, Imperial Airways was created, to salve the wreckage of the four competing companies.[2]

Banking.—In 1929, an industrial department of the Bank of England, which was handling reconstruction problems—helping to raise funds, for example, for Vickers and Beardmore reconstructions, the Lancashire Cotton Corporation and the Agricultural Mortgage Corporation (which the Bank of England helped to found)—was turned into a company, the Securities Management Trust. The Bankers' Industrial Development Company was formed, under Bank of England auspices (with Mr. Montagu Norman as Chairman), as was the Securities Management Trust (which owns shares in the former), to investigate and advise on financial, industrial and economic questions and to help the reorganisation of industry. The latter owns a direct controlling interest in the Lancashire Steel Corporation Ltd. In 1935, to prevent the closing down of Armstrong Whitworth Engineering Works, at Newcastle and Gateshead, it gave financial help to the parent company; and a Director of the Bankers' Industrial Development Company became Chairman of Armstrong Whitworth (Engineers) Company. In the formation of the Lancashire Cotton Cor-

[1] See also the *American Economic Review Supplement*, March, 1931, p. 6, V. W. Bladen, in a Conference on "The Decline of Laissez-faire".

[2] France, Germany and Italy also have merged or are merging their competing air companies into strong, single, national undertakings Twelve European countries now have a single national air transport company. Also the United States backs one concern, Pan-American Airways and its affiliated companies.

poration, it was arranged for the Bank of England to control it.

Beet Sugar.—In February, 1936, a Government Bill introduced a rationalisation scheme for the beet sugar industry.[1]

Boots.—In October, 1935, an important merger between Messrs. Greenleas & Sons, Ltd., and Messrs. Lennards, Ltd., involving capital of over £1,000,000 was being arranged.

Coal.—As stated elsewhere,[2] the Government has taken important steps to promote rationalisation, through 1926 and 1930 legislation. Important mergers have occurred in Lancashire and Cheshire. There have been big amalgamations through Manchester Collieries Limited, and Wigan Coal Corporation Limited, in association with Lancashire Steel Corporation Limited. A new stage was begun in this industry when the Coal Mines Reorganisation Commission, exercising its compulsory powers under the Coal Mines Act, 1930, insisted on amalgamation by coal owners in the County of Fife.[3] The Chairman of this Commission [4] has stated that planned direction is necessary, for adjusting production to demand by the concentration of production in certain pits and the closing

[1] See pp 266–7. [2] See pp 268–71. [3] See *The Times*, 21.11 32

[4] Sir Ernest Gowers, addressing the Cardiff Business Club, 24th February, 1933 (*The Times* and *Daily Herald*, 25 2 33). See also Coal Mines Reorganisation Commission, *Report to the Secretary of Mines* (on its first three years' work), Cmd 4468, 1933 (and *The Times*, 21 12 33, for a summary thereof). This report emphasises the need for co-ordination and for removing, by nationalisation or some less sweeping reform, the present system of mineral ownership, which stands in the way of effective and lasting reorganisation Commenting on many owners' refusal of adequate voluntary action, it said that the vast powers that would be possessed by a universal mineral lessor could not be called in aid. It pointed out that the 1925 Royal Commission and the Government in 1930 contemplated nationalisation of mining royalties Both regarded the State's powers as mineral lessor as an integral part of stimulation of the industry from the outside The Royal Commission intended that the authority administering the State's rights of mineral ownership should be the chief agent in bringing about amalgamations. "What," it said, "is the use of doing all these troublesome things to eliminate waste, secure planned development, and get rid of superfluous units, so long as so much still depends on the accident of mineral ownership, and our plans may always be stultified by the opening or reopening of mines without regard to corporate efficiency or national need?"

of others, for checking wanton price-cutting through the competition of numerous independent sellers, and to enable some competent authority to be established to speak for the whole industry in matters of high policy. Compulsion must prevent a minority from thwarting the exercise of the will of the majority. The Commission has developed plans for partial or total amalgamation, and has aided voluntary amalgamation schemes. It approved a partial amalgamation for the federation of West Yorkshire undertakings, which needed approval by the Court of the Railway and Canal Commission for its compulsory application through the Board of Trade. It would involve getting rid of surplus productive capacity, central purchasing of stores and co-ordination of sales and distribution. It prepared schemes for partial amalgamation—failing voluntary action—for colliery concerns in Durham, South and West Yorkshire, Notts and Derby. It drafted a scheme for total amalgamation for the Cannock Chase coalfield; and other, compulsory, total amalgamation schemes for Fife, and Leicestershire, and Warwickshire. It approved a voluntary scheme in the Lothians, covering selling, primarily, and stimulated another in Lancashire. North Staffs and Ayrshire have done some voluntary organisation. The Reorganisation Commission's latest Report,[1] however, said that in July, 1935, the Government asked it to make no fresh enquiries regarding possible amalgamations, pending consideration of its position and powers, which prevented it from executing its own decision when the Railway and Canal Commission Court rejected the West Yorkshire partial amalgamation in May, 1935. This Court judgment indicated that the 1930 Act did not permit it to impose, compulsorily, as a partial amalgamation, a co-operative scheme between financially independent concerns; and that in so far as it had compulsory powers, total amalgamation, with a financial merger, must be its only objective. Therefore, it revoked its plans for Durham, South and West Yorkshire, Notts and Derbyshire. The

[1] Cmd 5069, 1936, published 6th February, 1936.

Government's embargo came before it could select appropriate groups for total amalgamation schemes. It did not know, moreover, how far compulsion applied to a scheme providing for a financial merger; though it was seeking legal opinion as to how far it could apply compulsion in the areas for which it had prepared compulsory amalgamation schemes. The Government has decided, however, to endow the Commission with ample powers to secure large-scale amalgamations.[1] A big South Wales colliery companies' merger has been completed: Powell, Duffryn Steam Coal Company Limited and Welsh Associated Collieries Limited, aided by the Commission. In May, 1936, the Railway and Canal Commission approved the fusion of a group of collieries, controlled by Yorkshire Amalgamated Collieries, into Amalgamated Denaby Collieries, Ltd.

Electricity.—Indications already have been given[2] of legislative measures for rationalising, by means of public control, this important industry.

Herring Industry.—Indications also have been given previously[3] regarding Government proposals to rationalise this industry.

Iron and Steel.—The formation, in 1928, of the English Steel Corporation—Vickers and Cammell Laird—was succeeded by a merger on the consuming side of the industry, Associated Iron Foundries, in Scotland. Then Bolckow Vaughan & Co. was fused with Dorman, Long & Co. Guest, Keen & Nettlefold and Baldwins Ltd. formed a company to operate their works in South Wales; which was followed by the South Durham Cargo Fleet Combine and a merger between two of the biggest steel manufacturers in Scotland, William Beardmore & Co. Ltd. and David Colville & Sons, Ltd. The English Steel Works Association, and the British Steel Export Association also were formed to rationalise certain branches of the trade. The Bankers' Industrial Development Company made advances to Messrs. Stewarts &

[1] See pp. 270–1. [2] See pp. 207–9. [3] See p. 273

Lloyds,[1] and to the Lancashire Steel Corporation[2] (formed, in 1930, under the auspices of the Securities Management Trust, which owns a direct controlling interest in it: this Corporation took over, in particular, the steel, and certain other interests of Pearson & Knowles Coal & Iron, Partington Steel & Iron, and Wigan Coal & Iron Companies). In June, 1932, Stewarts & Lloyds arranged to co-ordinate activities with United Steel Companies Limited. Important merger agreements have been concluded, for example, between Dorman, Long & Co. and the South Durham Steel & Iron Company, to prevent competition and to eliminate obsolete or redundant plant and secure progressive concentration in more efficient plants and a better selling organisation.[3] The National Committee appointed to prepare a scheme for reorganising the industry, as the result of a statement by the Import Duties Advisory Committee that protection should be accompanied by the bringing of the industry to the highest state of efficiency, proposed such a scheme, which was submitted to the Government.[4]

Railways and Road Transport.—The 1921 Act brought about compulsory grouping and unification of the railways into four big companies and provided for a certain measure of State control, particularly in regard to rates. It virtually eliminated railway competition. Pooling schemes for certain receipts have been arranged between the London, Midland & Scottish and London & North-Eastern Railway Companies, and the London, Midland & Scottish and the Great Western Railway Companies,[5]

[1] *Manchester Guardian*, 30 11.32 [2] *The Times*, 20 12.32.

[3] *The Economist*, 1 4 33, pp 696–8, and 4 7 33

[4] *The Times*, 8 6.32, 7 4 33; *Daily Herald*, 7 4 33, and *The Economist*, 1.4 33, which indicated that such reorganisation envisaged a number of approved associations, with a central co-ordinating body, the Iron and Steel Corporation of Great Britain, governed by an annual general meeting, a National Council, a Central Executive Committee and a National Advisory Committee for Wages, Transport, Research, etc, and with a whole-time permanent Chairman. See also the draft constitution prepared for the National Federation of Iron and Steel Manufacturers (*The Times*, 13.4.34).

[5] *The Times*, 22.5.32, and 13 4.33.

extending the close co-operation imposed by the above Act. In December, 1935, the Government, following an agreement with the railway companies, introduced the Railways (Agreement) Bill, authorising the Treasury to guarantee, as to principal and interest, £26 million, to be raised for railway improvement schemes, approved by the Government, for which purpose the Treasury would form a Railway Finance Corporation. Following the Road Traffic Act, 1930 (which provided machinery for complete regulation of the omnibus and motor-coach industries), the report of the Conference on Rail and Road Transport, 1932,[1] made proposals for a certain amount of co-ordination of road and rail transport, on the basis of which the Road and Rail Traffic Bill, 1933, was passed, providing, *inter alia*, for the licensing of goods and motor vehicles. It also set up a Transport Advisory Council, representing Local Authorities, labour, and various transport and trading interests. The principle of co-ordination of London Passenger Transport services was embodied in the London Passenger Transport Act, 1933. Among other things, this provided for the pooling of local passenger receipts of the four railway companies and all passenger receipts of the new London Passenger Transport Board, and also for a joint committee representing the Board and the Companies to facilitate co-operation on certain matters. In August, 1933, the four main-line railway companies agreed to take over the two important road cartage contractors, Messrs. Carter Paterson & Co. and Messrs. Pickfords, to eliminate competition.[2] In October, 1935, Messrs. Carter Paterson & Co. bought a considerable interest in the two large parcel-carrying firms, Messrs. Sutton & Co. Ltd., and Messrs. Sutton & Co. (Manchester) Ltd. Messrs. Carter Paterson & Co. and the railways figured in the reconstructed directorate. In February, 1936, a complete merger was agreed upon between the

[1] U.K. Ministry of Transport, London, 29th July, 1932 the "Salter" Report.
[2] *The Times* and *Daily Herald*, 7 8.33.

Associated Road Operators (merging the Road Haulage Association and the Motor Hirers' and Coach Services' Association—of independent public service vehicles with no railway holding—in 1935) and the Commercial Motor Users' Association (representing manufacturers and traders operating fleets of vehicles in connection with their transport departments, and omnibus and coach operators and haulage contractors). A single National Council was formed. In 1933,[1] the railway and canal concerns agreed to establish a central conference to promote co-ordination and co-operation between them, and eliminate undue competition. It would also have power to recommend arrangements for pooling traffic between railways and canals. It would create local conferences for particular areas or undertakings as required, and lay down principles to guide them and settle disputes arising therein. These conferences could consider through rates and their proper division for traffic. Traffic should be considered on its merits and not according to vested interests. Important proposals regarding a national transport system governed by a national transport Authority were made, in the addendum to the *Report of the Royal Transport Commission* in 1931, which demanded a National Transport Trust to manage all the nation's transport, and by Mr. William Whitelaw, President of the Institute of Transport and Chairman of the London and North-Eastern Railway, who demanded complete unification of the railways and nationalisation.[2] In October, 1935, the Minister of Transport asked a Committee of Experts to consider the possibility of a scheme of co-ordinating all means of transport. On 14th October, 1935, the Secretary to the Ministry of Transport, in his presidential address to the Institute of Transport, emphasised the necessity of co-ordinating road and rail transport services and of co-ordination within these services. He foreshadowed regional con-

[1] See *The Times*, leading article, 30 8.33

[2] See *The Times*, 10 10 33. See also the *Report of the Weir Committee on Railway Electrification*.

solidations, with road-rail connecting links through pooling receipts, as in London and Northern Ireland. The Fourth Annual Report of the Traffic Commissioners (appointed for various areas for Road Traffic Acts purposes) to the Minister of Transport, in October, 1935, stated that amalgamation and co-ordination of services promoted by them had caused great economies, benefiting operators and the public. The Northern Commissioners had authorised the first road service as a link with an air service; North-Eastern Airways, Limited, express carriages service, Newcastle-on-Tyne to Cramlington Aerodrome (connecting with London–Edinburgh Air Service). The Annual Meeting of the Dock and Harbour Authorities Association, in Liverpool, in February, 1936, emphasised the need for eliminating competition between private and railway docks and for co-operation with air transport. A road and rail co-ordination scheme, under the 1935 Transport Act, began to operate in Northern Ireland on 1st September, 1935. A Road Transport Board, unifying and controlling all road transport, formed with the railway companies a joint committee, pooling road transport and railway receipts and co-ordinating transport services, controlled by the Ministry for Home Affairs; with an appeal Tribunal ensuring reasonable fares and rates and proper facilities.

Shipbuilding and Shipping.—The National Shipbuilders' Security, Limited, was formed, in 1930, to aid this industry by purchasing redundant and/or obsolete shipyards, disposal of their contents and resale of the sites under restriction against further use for shipbuilding, etc. It has bought yards for dismantling.[1] Towards financing its rationalisation plan, in January, 1931, £1 million of 5 per cent Debenture Stock were issued through the Bankers' Industrial Development Company. A levy was provided as security, to which virtually all the industry became subject voluntarily; and which was equal to 1 per cent of the contract or sale price of vessels begun

[1] *Daily Herald*, 15.4 32.

to be built after 1st November, 1930; each shipbuilder being under obligation to pay the levy till the redemption of all the Debenture Stock. Early in 1935, it bought the Belfast firm of Messrs. Workman, Clark (1928), Limited. A scheme put forward by Sunderland shipowners for State-aided scrapping of redundant tonnage was considered by the Chamber of Shipping and a special Committee of the Trades Union Congress.[1] In June, 1933, the British Chamber of Shipping sent to all shipowners a national scrapping scheme for rationalising tonnage, providing for contributions by shipowners through dues collected compulsorily through Governments. There would be a National Tonnage Disposal Board representing owners and the Board of Trade. There would also be an agreed international laying-up scheme. Compensation would be paid in respect of scrapped vessels. The Government granted a subsidy of £2 million for 1935 for tramp shipping provided that this industry set up a rationalisation scheme. The Government appointed a Tramp Shipping Subsidy Committee and then approved a Tramp Shipping Administrative Committee to promote ship-owners' co-operation, to regulate domestic competition, improve freight rates and conditions and promote co-operation between tramp and cargo liners. This Committee's first interim report[2] showed that co-operation with foreign shipowners also had been secured. On 11th December, 1935, the Government announced that a similar subsidy would be given for 1936.

Textiles.—In 1925, the Federation of Master Cotton Spinners introduced a scheme of organised short time. The Lancashire Cotton Corporation was created, in 1929, by cotton spinners and manufacturers, to amalgamate companies in the American spinning section of the cotton industry. Many mills have been scrapped and, to the end of 1934, it had acquired ninety-seven undertakings. The Bank of England arranged to control the Corporation, and to nominate the Chairman

[1] *The Times*, 15 9 32. [2] Cmd. 5004, published 23rd October, 1935.

and half the Board. In 1931, a big merger in the Lancashire textile machinery manufacturing industry was formed, for pooling research work, technical knowledge and methods of manufacture. In 1932, the Corporation carried out a new policy and a draft scheme was developed in the industry for the reduction of surplus plant and machinery, with the co-operation of the Board of Trade.[1] In 1933, a scheme was introduced for forming a Lancashire Co-operative Society, by the spinning, manufacturing, finishing and merchanting sections of the industry, with financial help from the Bankers' Industrial Development Company, and with a Chairman of the Board of Management nominated by the President of the Board of Trade, to improve marketing methods.[2] The Colwyn Committee Report, in October, 1934, on the industry advocated bold action to eliminate surplus capacity in the spinning section. It advocated: (1) the creation of a new Cotton Spinners' Association, empowered to control production and prices in all spinning mills; to come into operation if owners of 90 per cent of machinery approved in a ballot—only 50 per cent supported it; and (2) that 10 million out of the 40 million spindles in the mills be scrapped or sealed, and owners of the other 30 million should pay compensation to the owners of the 10 million put out of action, at the rate of 5*s.* a spindle. The Board of Trade did not favour a proposal for Government subsidising of this kind; but the Government promised to support the raising on easy terms of a £2 million loan for financing the scheme. A majority voted in favour of this, in a ballot. Schemes for reorganising the spinning section of the cotton industry, put forward in 1934, envisaged the relating of production to demand, promotion of exports, the encouragement of further grouping of productive units and reduction of redundant productive capacity. In January, 1935, the General Committee of the Federation of Master Cotton Spinners' Associations announced that a scheme for forming a Cotton Spinners' Association for instituting a

[1] *The Times*, 12 5 32. [2] Ibid., 10 3 33.

quota system of regulating production of all British cotton mills spinning "single" yarn and for regulating prices, failed to secure the necessary percentage of votes of approval from members; but that a scheme for buying and scrapping or sealing surplus plant was endorsed by members.[1] Under the former scheme the Association would have been governed by an Executive of eighteen members, and a pool scheme would have accompanied the quota to permit any excess production. The latter scheme, limited to machinery producing "single" yarn, proposed to form a Surplus Spindleage Board, to arrange for elimination of surplus capacity. On 1st July, 1935,[2] the Government introduced a Bill to enable the broad lines of this scheme to be carried out; by the creation of such a Board, of three members, whose members would not be associated directly with the spinning industry, and which would report periodically to an Advisory Committee of four,[3] appointed by the Board of Trade, representing the industry.[4] The Government promised certain financial help. Clause 15 of the Bill, regulating

[1] See *Manchester Guardian*, January, 1935, and *The Times*, 15 6 34, and 10 10 34

[2] See *The Times*, 3 7 35.

[3] In the House of Commons Standing Committee, on 20th February, 1936, the Government agreed to add a member appointed after consulting the Joint Committee of Cotton Trade organisations, representing all the sections of the industry. On 31st March, 1936, the House of Commons decided, on a Government motion, that the Committee should comprise six persons, appointed by the Board of Trade, three after consultation with the Federation of Master Cotton Spinners' Association, Ltd, one representing cotton spinners not associated with the Federation, one after consultation with the above Joint Committee, and one after consultation with the United Textile Factory Workers' Association.

[4] The Board would be able to buy spindles for two years—with provision for extension to a third year The scheme applied only to the "single" yarn spinning section of the industry On request the Board of Trade could order a vote on the scheme at any time and it could be wound up if 75 per cent of those voting so desired In the House of Commons Standing Committee, on 3rd February, 1936, the Government altered this percentage to two-thirds The Bill proposed a levy during fifteen years for every mule spindle and ring spindle engaged in cotton spinning, to enable the Spindles Board to borrow under a Government guarantee, covering any deficit on the levy, up to £2 million, to buy, for scrapping or selling, up to 10 million redundant spindles During the period of the levy's payment the Board must submit a report

the use of cotton spinning machinery, provided that, for three years, new machinery could not be introduced, unless (in competition with the Board) the mill-owner bought an equivalent number of spindles in other mills for scrapping. The Board could hold, temporarily, mills engaged in spinning. The Bill was read a second time on 4th February, 1936.[1, 2] Combined Egyptian Mills Limited was formed to absorb concerns in the Egyptian section of the cotton industry. On 28th August, 1935, the full special Committee of the Federation of Master Cotton Spinners' Associations considered a draft scheme for regulating prices and setting up a pool and quota system in the Egyptian type yarn section of the spinning industry (in which about 18 million spindles are numbered). Under the scheme a production quota would be allotted to each concern, readjusted at the end of every four-weekly period. A stated payment would be made by each concern running spindles in excess of the allotment; and an allowance would be received by firms running less than their quota. Administration of the scheme would occur through a Council of Fifteen, with special representation for large combines. There would be penalties for breaches of the scheme; and each firm concerned would have to give legal undertakings to submit to liability to damages. The scheme would be submitted to a ballot vote of the spinning firms; and 85 per cent support would be necessary to bring it into operation. It would operate for one year. The Committee deferred further consideration of the scheme.[3] A scheme for controlling production and prices in the Egyptian and Egyptian type (fine-spinning

annually to the Board of Trade, to be laid before Parliament; and no M P., cotton spinner, director, officer or servant of an undertaking carrying on the business of a cotton mill can serve on the Board, according to a later Government decision adopted by the House of Commons, on 31st March, 1936.

[1] See Mr Runciman's speech in the House of Commons on that day It was read a third time on 31st March, 1936.

[2] On 21st April, 1936, a special reorganisation committee of the Federation of Master Cotton Spinners' Association began a thorough examination of the cotton industry in all its phases, to discover how to improve it.

[3] *The Times*, 28.8 35, and 29 8 35

section) received an inadequate vote in November, 1935. It provided for quotas and a fund, fed by payments for running spindles in excess thereof, to compensate firms running less than the quota; administered by a Council of Sixteen. On 15th October, 1935, representatives of the Yorkshire doubling yarn spinning industry met Lord Colwyn and members of the Colwyn Committee; and it was decided to promote a Bill for this section similar to the Bill on the single yarn industry.[1] In September, 1935, the Cotton Spinners' and Manufacturers' Association decided to consult district associations in Lancashire with a view to the drafting by a Surplus Looms' Committee of a plan for eliminating redundant weaving plant along the lines of the Colwyn Committee's proposals embodied in the spinning section's Bill: thus it followed action by the spinning and finishing sections. It is also seeking to establish uniform costing methods and a fixed ratio of costs in different cloths to promote a basic minimum prices system.[2] The wool-combing section of the worsted industry has decided to establish an organisation to eliminate obsolete and redundant plant, twenty-six leading firms having formed a mutual association on the lines of the National Shipbuilders' Security Limited.[3]

(2) *Agriculture*

The agricultural policy of the present British Government is the rationalisation of agriculture on the principle of the quantitative limitation of imports contingent upon a corresponding organisation of domestic agricultural production, which it would thus control.[4] At the Ottawa Conference, the Government accepted the principle of

[1] In April, 1936, the Federation of Master Cotton Spinners' Association sent a circular to all doublers, asking questions about surplus capacity and as to the desirability of creating a scheme analogous to the above Surplus Spindles Scheme before Parliament

[2] In April, 1936, the Association sent to firms in the Manufacturing Section of the cotton industry recommendations regarding minimum costings of grey and coloured cotton cloths, hoping for their adoption.

[3] *The Times*, 4 4 33, and 6 4 33; and *Manchester Guardian*, 6 4 33.

[4] Cf *The Times*, leading article, 8.2 33.

quantitative regulation of meat imports.[1] A full account already has been given[2] of the measures taken by the Government and by agricultural producers to promote the rationalisation of agriculture. In 1922, J. Rank acquired a controlling interest in Associated London Flour Millers Limited, carrying forward concentration in the milling industry.

(3) *Distribution*

Attention has been directed to the importance of the scientific control and planning of distribution; and a proposal has been made to form a national body representing, *inter alia*, Government Departments, to assist in improving distributive methods.[3]

Developments in Other Countries

The rationalisation movement has proceeded even farther in other countries, such as Germany. Belgium and Czechoslovakia, in 1934 and 1935, took interesting steps. In Germany after the compulsory organisation of the coal and potash industries, 1923, 1930, 1931 and 1933 legislation, Decrees, etc., provided for compulsory cartels and State supervision of cartels.[4] In Belgium, a July, 1934, Act empowered the Government to promote co-ordinated economic activity. In November, 1934, the Prime Minister said that the Government would compel dissentient minorities to toe the line. A December, 1934, Act rationalised the coal industry.[5] An Order of 13th January, 1935, regulating production and distribution in general, enabled a majority in any branch of production or distribution to petition the Government to

[1] *Imperial Economic Conference at Ottawa, 1932, Summary of Proceedings and Copies of Trade Agreements* (London, 1932), especially pp 56–61

[2] See pp. 260–4

[3] By Sir Basil Blackett, *The Times*, 5 5 32, and by a report of a sub-committee appointed, in 1932, to prepare a plan to lay before the British National Committee of the International Chamber of Commerce, *The Times*, 3.2 33. See also *Retailing and the Public*, by L. E Neal, London, 1932.

[4] See pp. 369–75 and 377 Cf also the compulsory association for producing motor spirit from lignite (p. 300)

[5] See p 290

extend any agreement made by it in regard to production, distribution, sale, exports or imports, to a minority; and enabled the Government to prohibit the establishment of new undertakings in industries having any such binding agreement. Petitions thereunder have been made by the cement, hollow-glass and cotton-spinning industries.[1] In Czechoslovakia, on 5th December, 1935, the Prime Minister explained the Government's policy of stimulating organisation of production and marketing, mainly through industrial combines.[2] A 20th December, 1935, Decree required Government approval of the establishment or extension of factories for producing or finishing glass or glass products, extended the powers of the Glass Industry Board and sponsored the formation of compulsory cartels in the glass industry. A November, 1935, French Government Decree legalised a plan for rationalising the silk industry; by a tax on raw materials for a fund to purchase excess plant to be put out of use. The Manufacturers' Association must sanction building of fresh plants or extensions.

Compulsory Rationalisation

Two of the aspects of rationalisation seen in this legislation are particularly interesting: the Government control of the establishment or extension of factories;[3] and the application of the compulsory principle. The movement towards compulsory rationalisation and, especially, towards the compelling of recalcitrant minorities to come into rationalisation schemes, has been developing in Great Britain, and in other countries. Compulsory rationalisation of the British beet sugar industry was inaugurated by the Government in 1935, through making the continued subsidy dependent on amalgamation and controlled production. The British Govern-

[1] See *Industrial and Labour Information* (I L O Weekly), 9.12 35, pp 369–74.

[2] An interesting example of Government supervision of rationalisation was an August, 1935, Decree providing that certain artificial, precious stones for export must be hand-polished to guarantee a high quality.

[3] See pp 13–14 and 417–18.

ment's 1934 scheme to help shipowners was dependent on their rationalisation of the industry. The British Cotton Industry Bill, 1935, applied this principle. Mention has been made of compulsory cartels in Germany, Japan and Italy.[1] Recently the French Government, by a Decree, effected a large-scale rationalisation and reconstruction of the ship-building industry. Among other things it told three big groups that if they did not fuse in two years the State would give them no further order for ships or nautical equipment. The air companies were also fused compulsorily into one body, "Air-France", controlled by the State, in 1933. An ex-President of the British Mining Association [2] recently proposed a plan to control production through regulation of sales of industries producing commodities in bulk. He advocated a central controlling body representing each industry with adequate powers to compel every operating unit to conform to an agreed plan. This principle of sharing available trade has been accepted for co-ordinating prices in inter-district competitive trade in the coal industry. The plan would embrace control of production, regulation of prices and a central selling agency. Each industry should move towards control and co-ordination of its export trade, under central direction and financial support and resting upon a similarly co-ordinated inland trade. An Enabling Act is necessary to prevent obstruction by a minority if voluntary measures fail. A 1934 (October) Motion by Lord Melchett in the House of Lords took this line. His Industrial Reorganisation (Enabling) Bill aimed at allowing a majority of producers in an industry, despite the hostility of a minority, to enforce schemes of reorganisation, to promote rationalisation. He also urged the Government, on another occasion, to rationalise our system of industrial control, for our industrial organisation is unco-ordinated while our chief rivals, the U.S., Japan, Germany, Italy and Russia, have introduced systems of rationalised industrial control. Again, in the

[1] See pp. 369–75, 377 and 417–18.   [2] *The Times*, 10.5 34.

House of Lords, on 20th February, 1936, he urged Government action on the Report of the Committee on the Reorganisation of Industry of the Federation of British Industries (June, 1935) on compulsion for minorities in certain circumstances. An Enabling Act to promote corporate organisation of industry was suggested in *The Next Five Years.*

In a recent broadcast speech, as Canadian Prime Minister, Mr. Bennett expressed a readiness to coerce a minority of producers, in certain circumstances, in the general interest. In September, 1935, the Norwegian Minister of Agriculture said that the compulsory principle would soon be applied to agriculture. The French Government scheme, covering a limited period, passed by the Chamber, on 5th March, 1935, for making agreements to rationalise production in industries affected acutely by the crisis compulsory if the majority in an industry so desire, is similar to that proposed by Lord Melchett for Great Britain and is along the lines of certain British experience [1] and embodies the principle of the compulsory marketing pools in different parts of the world. A Government Committee also could insist on such cartels being formed. Reference has been made to similar Netherlands proposals.[2] The U.S. A.A.A. plans for organising marketing of fruit and vegetables sought to coerce minorities. In 1933, an interesting private resolution in the Swedish Riksdag proposed that the Government should study how public control of rationalisation measures could be introduced.[3]

One form of rationalisation that is being widely practised in many parts of the world is the co-ordination of road and rail transport. Reference already has been

[1] The *Second Report of the Sea Fish Commission* (March, 1936) urged that the proposed Fish Industry Development Commission should be empowered to forward to the Minister, for making them effective by Order, schemes for developing and regulating the industry approved by substantial majorities. In evidence to the Commission leaders of sections in the industry urged that such schemes should be made compulsory upon all units in their respective sections

[2] See p 377.

[3] *Fackforeningstorelsen*, 3 2 33

made to accomplishments in Northern Ireland, the United States and India. Among the latest schemes were those adumbrated by the Canadian Minister of Transport on 19th January, 1936, and by the New Zealand Minister of Transport in February, 1936.

THE COLLECTIVE TENDENCY OF RATIONALISATION

The world-wide movement for increasing general economic efficiency, called rationalisation, has been brought into existence because isolated competing, individual enterprises have induced waste, inefficiency and recurring crises. The co-operation that has been resorted to by producers, voluntarily or compulsorily, has partaken inevitably of a collective tendency, and the nature of current industrial and economic evolution is clearly such that an increasing degree of central, national control is demanded to achieve economies in production that are absolutely necessary if real rationalisation is to occur. The progress of rationalisation has registered, step by step, the march of industry in an entirely opposite direction to that of laissez-faire. Isolated undertakings in every industry have found themselves unable to discover the means of automatic self-adjustment to changing and increasingly complex economic conditions. This rationalisation movement has revealed, more and more, the necessity of making the industry rather than the undertaking the unit. Indeed, it has pointed to the need for an even bigger basis of adjustment, the economic system as a whole, with the State as the guiding force.[1] The above experience has shown that the doctrine of laissez-faire, on which previous business enterprise was based, could not prevail against the hard economic facts of the modern economic and industrial system, which has changed. Competition and laissez-faire have declined together. Moreover, the acuteness of many of the problems created by the development of machine and power production has forced economists to pay more

[1] Cf. *The Times*, 8 12.32 "Laissez-faire Doomed. The Rise of a New Economy Planning Ahead in Industry."

attention to the cases where private and social interests are divergent, and, together with corresponding modifications of political and economic theory, has provided an intellectual justification for the development of State interference as the supreme manifestation of rationalisation.[1] The difficulties experienced by business men which induced them to initiate the rationalisation movement were connected with marketing as well as with production. The free market of the old laissez-faire economy has failed to meet their needs. While they will not easily admit this in theory, in practice they have been driven in every country to rationalise markets, and to resort to organised co-operative marketing, even by the coercion of recalcitrant, individualist minorities; and, in this connection, they have leaned more and more on the State. As a matter of fact, even the old free market presupposed contracts and the State's authority to enforce them. It needed measuring rods—a legally established yardstick, pound, gallon, etc.—and a legally established unit of value—it postulated a stabilised unit of value as well as units of measurement. The laissez-faire gold standard has wrought untold harm for industrialists, who rushed to the State for protection against its effects on their markets. In short, an essential element of rationalisation is the regulation of the market. "The regulated market of the controlled economy will offer more security, which is what the present generation wants. . . . It is in this direction that all the social and political forces are striving with might and main."[2]

[1] Cf. *American Economic Review Supplement*, March, 1931, p 6, V. W. Bladen, in a Conference on "The Decline of Laissez-Faire".

[2] Hansen, op cit., pp 8–9

CHAPTER IX

CENTRAL COLLECTIVE CONTROL OF THE WHOLE NATIONAL ECONOMY

One of the most remarkable features of the post-war economic life of various nations has been: the growth of National Economic Councils in number and in their influence on national economic life, and, more recently, the growth of the idea of national economic planning.[1]

These Councils vary in size, composition, functions and authority. Most of them are, as yet, purely advisory bodies, doing research and advising Governments on all economic and financial legislation. They represent, generally, all the main branches of economic life of the country—and sometimes a wider variety of interests; and sometimes they provide for representation of the workers.

These countries have instituted such National Economic Councils:

In *AUSTRALIA*, an Economic Advisory Council was set up in 1933; and Queensland has formed a Bureau of Industry for the purpose of economic planning.

AUSTRIA provided for one under the new Constitution. A 1934 Act also set up the Corporative organisation of industry thereunder.

BELGIUM has such a Council. Moreover, its Economic Reconstruction Office undertakes important economic planning work.

[1] For a very interesting discussion on planning see the Report of the discussions at the World Social Economic Congress, 1931, held at Amsterdam, under the auspices of the International Industrial Relations Institute. *World Social Economic Planning* . The Hague (New York, 1932); and the *Bulletin of the Taylor Society*, April, 1931, pp. 62–74

In *BULGARIA*, one is contemplated by the Government, to draft a five-year plan for agriculture, industry and trade.[1]

In *CANADA*, a 1935 Provincial Act set up a Council for the Province of Nova Scotia, and, in January, 1935, Mr. Bennett, as Prime Minister, proposed to create an economic council to advise the Government on economic questions.

CHILE set up such a Council in 1934, to co-ordinate all Government activities in the economic and financial fields—comprising only Government Ministers, but aided by a committee consisting of leading persons in economic and financial circles, and representatives of production and commerce.

CHINA has prepared a vast plan of economic reconstruction, and has set up: a Cotton Control Commission; a Silk Control Commission; a Rural Recovery Office; and a Permanent Committee of Experts to study the reconstruction and development of Chinese Turkestan.[2]

CZECHOSLOVAKIA created a Council, by a 1921 Act. It recently set up an Advisory Consumers' Board, an Advisory Committee for Financial Questions, a National Council for Agricultural Questions and an Advisory Committee for the Glass Industry.

The Free City of *DANZIG* set up a Council in 1934.

DENMARK created one in 1931.[3]

ECUADOR created a Council in 1935.

ESTHONIA set up a Council in 1935.

FINLAND arranged to set up a Council under a 1935 Act, if and when a two-thirds majority of the new Chamber, in 1936, approved.

FRANCE set up a Council by a 1925 Act. With the former German Council it was the earliest and the

[1] September, 1934, and November, 1935, Decrees have provided for the organisation of trade and agricultural associations

[2] See *Chinese Economic Bulletin*, 27 6.31.

[3] In November, 1935, the Government created a Special Ministerial Council, aided by experts to deal with commercial agreements.

most powerful. A 1933 Government Bill proposed to give it a proper legal and constitutional status and to make a closer link between it and Parliament and the Public Authorities. A Bill to modify the Council was redrafted and presented to the Chamber on 7th June, 1934, "to propose methods of supervision and organisation of production and trade". It adumbrated twenty occupational sections, together with a General Meeting of the Council, representing national and local interests in the economic system, and including representatives of manual and non-manual workers.

In *GERMANY* a second Council, formed in 1933, was abolished by a 1934 Act. The first Council was a large and powerful one. Comprehensive national plans for controlling industrial and economic life, however, have been substituted. The 1933 (April) General Economic Council representing various economic interests, as an advisory Committee of Experts, was not abolished. By the 1934 Act and later Order (1934) preparing for the organic reconstruction of the national economy, industry was organised under six big groups and sub-groups, co-ordinated under the National Chamber of Economy, directed by the Economic Leader.

GREAT BRITAIN created a Council under a 1930 Act: it is a small, comparatively inactive, advisory body.[1]

In *GREECE*, a Superior Economic Council was set up in 1932.

In *GUATEMALA* a National Economic and Financial Committee was set up in 1931.

In *ITALY*, the National Council of Corporations, created under a 1930 Act, performs similar functions; and a 1934 Act established the important system of

[1] On 1st April, 1936, the Secretary of State for Scotland said that after discussion with him the Scottish National Development Council had appointed a special committee representing Scottish industry, finance, transport, travel and labour to consider the improvement of economic conditions in Scotland, the creation of new industries, and matters referred to it by industrial, commercial, or public bodies, by the Commissioner for the Special Areas or by the Secretary of State

22 Corporations, regulating the nation's economic life.[1]

In *JAPAN*, the Government has decided to create a Council. In May, 1935, it created a Cabinet Study Committee.

LATVIA established a Council by the 30th December, 1935, Act.

LUXEMBOURG has a Council; likewise *MANCHUKUO*.

MEXICO set up a Council by a 1933 Act, to coordinate Government and private activities. In 1934, the Government initiated a Six-Year programme of economic reconstruction.

THE NETHERLANDS set up a Council by a 1932 Act and a 1933 Decree.

NEW ZEALAND has appointed a Bureau of Industry to advise on new industrial projects involving State assistance.

In *NORWAY*, a committee was appointed by the Government in 1935, to organise new industries and to plan the development of national resources.

In *POLAND*, the 1921 Constitution provided for a Council; as also did a 1925 Bill.

In *PORTUGAL*, in 1934, the Government set up a Corporative State and a Corporative Council, to direct the corporative organisation of the nation. A Decree (24th February), 1936, created a Corporative Technical Council of Commerce and Industry, attached to the Secretariat of the Minister of Commerce and Industry, to secure the ordered and systematic development of the work of State guidance and control of industry and trade.

In *RUMANIA*, there is a Superior Economic Council, which a 1935 Bill aimed at reorganising.

In *RUSSIA*, there was a Supreme Economic Council, with Provincial or Republic Councils. The Supreme

[1] Note also, the creation of the "Institute for Industrial Reconstruction", in 1933, to compel technical, economic and financial reconstruction of Italian enterprises Cf *The Times*, 23 1 33, and the previously-mentioned organisations for controlling foreign trade and exchange.

Council of National Economy was abolished in 1932. There is a State Planning Commission ("Gosplan").[1]

In *SPAIN*, a 1934 Decree arranged for a temporary Commission to replace the National Economic Council; and the Government appointed a Special Committee to prepare plans for a Council, comprising a small Technical Council of economic experts and a large, representative Assembly, which later would send representatives to the former Council's monthly meetings.

In *SWEDEN*, in 1935, the Official Committee for the Promotion of Swedish Production recommended the creation of a permanent industrial Commission.

In *SWITZERLAND*, the creation of a Council was discussed in 1932. An Economic Research Commission was set up by the Federal Department of National Economy.

In *TURKEY*, in 1934, the Government inaugurated a five-year industrialisation plan.

The *UNITED STATES* has no Council; but under the N.R.A. and, subsequently, under the Roosevelt régime, considerable national planning has occurred. The National Resources Board was appointed by President Roosevelt, in 1934, to continue the work of the National Planning Board of the public works administration.[2]

In December, 1934, it proposed a vast plan of public works, involving expenditure of £21,000 million over twenty to thirty years; and urged the creation of permanent public works, land, water and mineral planning Boards, together with a permanent Central Board to co-ordinate their findings and recommendations, acting as an economic general staff. Forty-two State planning agencies have been appointed; and they report to the National Resources Board. There are inter-State plan-

[1] Note that in April, 1935, in order to ensure adequate synthetic planning the State Planning Board was reorganised See *Pravda*, 6 4 35, and *Izvestia*, 8 4 35. Its industrial and synthetic planning produces a general plan to be approved by the Council of People's Commissars, and, finally, by the Central Executive Committee The Commissariats, aided by the trusts and factories, prepare plans for the industrial groups. See also *International Labour Review*, January, 1936, article by Messrs Lorwin and Abramson

[2] See its Report on the extended study of Planning Agencies of Federal, State, and Local Authorities.

ning organisations, e.g. in the Pacific North-West, and in New England. Mr. Wallace, Secretary of Agriculture, has advocated the formation of a National Economic Council, representing, *inter alia*, farmers, workers, bankers and consumers and with special reference to co-ordination of the work of the N.R.A. and the A.A.A.[1]

Moreover, important proposals [2] have been made for the establishment of a powerful central body, like the War Industries Board. In 1931, a Bill to create a Council was considered by the Senate; and, in 1933, another one to establish a National Industrial Council and an Advisory Planning Commission.[3]

YUGOSLAVIA set up a Council in 1932.

Proposals for such Councils in other countries have been made by various political, industrial and other leaders.[4] Sir Arthur Salter issued a valuable report envisaging Central and Provincial Councils for *INDIA*. At the end of 1933, the Government of India announced that, as part of its general policy of economic planning, it was appointing a Commission of Indian and British economists to make an economic survey of India.[5] The Indian Government called an Inter-Provincial Government Conference at Delhi, 3rd–6th April, 1934, to promote a common plan of action, including the financing of agricultural production and marketing, the establishment of Commodity Committees and the development of public works. The National Agricultural and Industrial

[1] See *The Times*, 21 8 34 See also *The Statist*, 11 4 31, pp 601–2, for other United States proposals, e g by the American Engineering Council, for creating such a Council.

[2] See *The United States Daily*, 1 9 31

[3] At the 44th Annual Meeting of the American Economic Association, Mr Henry (New England Power Company, Boston) urged the creation of a National Economic Council

[4] For full information regarding such Councils and proposals see the *Annual Reports of the Director of the International Labour Office*, Geneva, the *I.L O. Year Book* and the *Review of Economic Councils in the Different Countries of the World*, Geneva, 1932, League of Nations publication See also Sir Arthur Salter's Report on such a Council for India; and *The Times*, 10.6 31

[5] The Indian Royal Commission on Labour advised the creation of an Indian Council, representing the Government, employers and workers.

Development Association of the *IRISH FREE STATE* has demanded such a Council.[1]

Interesting policies of, or proposals for national economic planning, in several countries are worthy of special mention. The Belgian Minister, Mr. H. de Man, introduced a national plan in 1934, which was approved by the Belgian Socialist Party and the Trades Union National Council in joint Session. The plan was to be based on the nationalisation of credit, and sought to establish a mixed economic system. A nationalised section, covering the organisation of credit and the main industries, enjoying *de facto* monopoly, would exist side by side with the private section of industry and commerce. The legislature should organise a public service for mobilising and distributing credit. A State credit institution would be established to insist that the credit banks conformed to the plan. Financial institutions already under State control would be co-ordinated. Insurance would be recognised. A Financial Board in general charge of credit would be set up; to distribute credit so as to adapt production to the home market. The chief monopoly industries producing raw materials or power should be made public services; and governed, each, by a Board.

In *TURKEY*, the 1934 Five-Year Plan adopted[2] (on the report of economic experts) by the Government, provided for the industrialisation of the country. New industries would be set up: cellulose and paper, artificial silk, pottery and glass, chemicals, sponges, textiles, hemp, iron, copper and sulphur, essence of roses and electrification; the construction and equipment of the new factories being financed by the expenditure of £T.25–30 million in five years (voted annually in the Budget) plus £T.16 million advanced by the Soviet Union to the Government.[3]

[1] *Irish Press*, 10 5.32.

[2] See *Le Journal d'Orient*, 25 12 33, and *Industrial and Labour Information*, 5 3 34.

[3] *L'Economiste d'Orient*, 10 12 33. In February, 1936, a second five-year plan was announced, covering a national plan for mining and electrification.

In *GREAT BRITAIN*, proposals have been made for an economic general staff, a Government (Ministerial) Planning Committee and a National Development Board,[1] and also for the establishment of a National Industrial Council, a kind of industrial Parliament.[2] An important School of Planning and Research for National Development has been started in London.[3] A Building Industries Council has existed since 1931–2; and, on 26th February, 1936, Lord Linlithgow advocated a National Provision Exchange and national organisation of the provision trade. In 1933, the Little Entente set up a permanent Economic Council, with three national sections (together with three Mixed Chambers of Commerce) to promote common economic co-ordination and planning.[4]

Economic events in recent years have shown that, if nations are to survive in the economic struggle of the future, it is imperative that some body should plan each national economy as a whole and help, by study and research, to frame an economic policy,[5] so that public expenditure may be directed where it is most needed, in order to avoid waste, and so that political leaders may have before them the fullest information about various industries in the light of national needs and economic evolution. The French Council, in particular, has been preparing very important schemes for development of major industries. The progress of rationalisation is

[1] Cf *Journal of National Union of Manufacturers*, January, 1936; *The Next Five Years*, and Labour Party proposals Note also the reports of the Commissioners who investigated the depressed areas (Cmd 4278) and the subsequent debate thereon in the House of Commons (*The Times*, 23 11.34, and *Manchester Guardian*, 28 11 34)

[2] See *Hansard*, 8 3 33

[3] See *Observer*, 17 2 35, *The Times*, 18 2 35, and 22 2.36 (for an account of its first year's work) See also planning proposals at the Trades Union Congress, 1931, Bristol; Sir Basil Blackett's Halley Stewart Lecture (*The Times*, 12.2 32); and *Weekend Review Supplement*, 14 2 31

[4] *Manchester Guardian*, 2.6 33

[5] Cf the broadcast speech on the eve of the General Election, by the French Prime Minister M Sarraut said that old-fashioned Liberalism was out of date· the re-organisation of the National Economic Council to act as Parliament's adviser was the best hope for the future.

revealing, in every country, the importance of central planning of the nation's economic reconstruction. Coal, for example, must be related to power and transport, roads to railways and other forms of transport. Rationalisation of single industries demands the aid of banks; so much so that, in England to-day, the Bank of England is participating in the reconstruction of various industries. The nation's general commercial and economic policy, its import and export trade, this and many other questions need expert technical investigation by a representative national body, able to speak with authority, in the national interest, on the effect upon the whole economic system of the adoption of any given economic policy. These Councils, however, must not be merely advisory bodies, however comprehensive their activity in this respect: their functions must enable them to direct, under final Government authority, national economic organisation, to co-ordinate and supervise industrial and economic activity.

The ordering of individual national economies, through National Economic Councils, will permit the easier evolution of a World Economic Council within the framework of the League, to co-ordinate and control world economic organisation.

The careful observer, however prejudiced against the encroaching collective direction of industry, national and international, must realise that the drift of economic evolution is in that direction. Whether the political complexion of a State be Socialist or Fascist, the economic necessity is the same.[1]

Important questions arise as to the composition of these Councils. Should they be relatively small bodies, like that in England, working in secret and with only limited powers and no organic connection with Parliament; or, as in France (and, formerly, in Germany),

[1] Cf Signor Mussolini's lengthy reference to State economic planning in his speech on 23rd March, 1936 Cf. also President Roosevelt's speech on 25th April, 1936: "Nation-wide thinking, nation-wide planning and nation-wide action are the three great essentials to prevent nation-wide crises for future generations to struggle through "

larger bodies,[1] definitely representing important national economic interests, with definite powers, working more in the open and, particularly, as in the case of the former German Council, having a real link with Parliament; or having even wider powers based on national planning of State-owned and controlled industry? Undoubtedly they should enable the Government to control and organise the national economic system, and its various branches, with the co-operation of the different interests in industrial and economic life, in the light of the highest national interest and of the necessity of raising social standards.

Internationally, should the World Economic Council be modelled on the present lines of the Economic Consultative Committee, relatively small in numbers, and not definitely representing the big interests of capital, labour, consumers and Public Authorities, largely official and bureaucratic in character, and largely composed of official Government nominees—Labour and consumers' members having no definite status; or should it develop along the lines suggested by the Labour Memorandum to the 1927 World Economic Conference, being organised on lines similar to the International Labour Organisation, with a very representative character, with a large measure of autonomy, independent of the League political organisation, forming the spearhead of an effective League economic organisation, with power to frame Conventions influencing vitally the world's economic evolution, having definite powers of control and ownership in regard to important basic industries and services, working definitely for the collective development of industry in the international sphere, and basing its work largely on that of the National Economic Councils? The latter must be the aim of all who have a firm desire to see national and international economic order and organisation triumphing over the forces of national and international economic laissez-faire and anarchy.

[1] The first German Council comprised 326 members; the present French Council has 141, the Czechoslovakian Council, 150, and the Polish 1925 Bill provided for 100 The Italian National Council of Corporations has 132.

CHAPTER X

SOME ECONOMIC ASPECTS OF COLLECTIVE ENTERPRISE

(*a*) Aid to Private Enterprise and General Economic Progress

A work of this kind would be incomplete without some discussion of the merits and advantages of public, as opposed to private enterprise. It has been truly said that collective economy can succeed only in so far as it ensures economic progress and develops public-spirited impulses. What does the experience of collective enterprise teach as to its possibilities in this direction as compared with the system of private enterprise?

Mention already has been made of the extent to which the State has come to the rescue of private enterprise in distress; but consider, for a moment, some of the normal services rendered to private enterprise by the State. Consider the fundamental importance of Government efforts to promote economic recovery during this depression.[1] It is quite normal for private enterprise to leave the State to supply services which are not the most profitable. Thus, in British post-war electricity legislation, electrical generation and transmission, that side of the electricity industry where expense is greatest and

[1] *The Times*, leading article, 11 2 36, said that "No one will deny . . or belittle the importance of—or present dependence upon—Government initiative, direct and indirect, in stimulating enterprise"; and that, while at the start of 1935, the great bankers (except Mr McKenna) were doubtful if in 1935 recovery would be as marked as in 1934, Mr McKenna had just been able to attribute "the continued recovery to the ability with which the authorities had controlled the supply of money in accordance with the requirements of trade".

profit relatively least, are given to the State to protect, whereas the lucrative business of electricity distribution is exploited largely by private undertakers. Referring to the campaign of the great capitalist utilities (electricity and gas) in the United States against the idea of public ownership and operation of such utilities, and to the corruption of the public mind, by payment to writers, including University leaders, an American writer said:[1] "We talk a lot about private ownership. Yet many Municipal plants were built because no private parties would build them." [2]

Again, while private enterprise is willing to develop railways in thickly populated areas, where immediate profit is likely, it will not sink capital in opening up and extending services in districts which need supplying for future development. In the United States, the Government took the initiative in building the great transcontinental systems, Union Pacific, Northern Pacific, Southern Pacific, giving land and millions of dollars outright to get them built!

Especially in post-war circumstances, housing activity, in providing for the needs of the mass of the people has been unprofitable, particularly in Central Europe; and the State and other Public Authorities have borne the biggest burden of providing this vital service, and have aided private enterprise. Then look at the enormous service to general economic progress rendered by Public Authorities in undertaking the opening up of rich, virgin areas to agriculture, industry and trade through reclamation, irrigation and transport works. Take India, with the State's capital expenditure on railways, electric power and irrigation; Canada, with the National Railways' branches and extensions into the rich, northern mineral areas, and the contribution to all-round economic development (including that of agriculture) of the Hydro-

[1] J B. Sheridan, letter to J W Colton, editor of a public utilities magazine quoted by E Gruening, *Portland Evening News American Economic Review Supplement*, March, 1931, pp 209–41, article "Power and Propaganda".
[2] Ibid, p 239

Electric Power Commission and the Welland Canal; and the United States, with the huge State plans to relieve and develop the Mississippi and Tennessee areas! Then consider the contribution to general economic progress of State electricity and water enterprise: in Switzerland, with the marvellously successful and widely electrified Federal Railways; in Ireland, with its Shannon electricity scheme; in Sweden and Germany, with their fine public electricity undertakings; and in Germany, with canals, whose development adds great value to general economic activity—to mention only a few illustrations.

(*b*) The "Profits" Basis of Economic Enterprise: Profits, Saving and Economy

The "profit" basis of the present economic system is looked upon as the best guarantee of effective provision for the community's needs. The incentive of profit undoubtedly has lured many industrialists and empire builders into paths of adventure that, incidentally, have opened up the world's economic resources, and have provided fresh employment for millions of men and women; but at what cost? Public Authorities could have achieved these ends much more economically. This quest of profit has brought in its train: abroad—economic imperialism, the source of future wars in the struggle for raw materials, markets, spheres of influence and the opportunity to invest surplus capital that could not be "profitably" absorbed in the home market,[1] the exploitation and subjugation of native races; and at home—the exaggeration of inequalities in the distribution of wealth, the unadjusted investment of capital resources in industries, the under-consumption of the mass of the people in the midst of a technical equipment fast outstripping the effective demand expressed in purchasing power, with the resultant, recurring economic crises, and, above all, the

[1] Note the use of the word "profitably", in the sense of a high return of profit, whereas the real "profit" of the people demanded the absorption of this surplus at home

sacrificing of the future in the interests of the present demand of shareholders. The "profit-based" system has not met the people's needs. Russia's experience, moreover, shows that they can be met on a "non-profit" basis. Supporters of collective enterprise are accused of readiness to be prodigal in their handling of the nation's resources and as having no conception of the need for "saving" in the country's economy. Think of the toll of human life and suffering that the "profit" order has involved; which is itself the greatest lack of economy and saving that is imaginable; for the future of the race depends upon the health, the vitality and the mental and cultural equipment of its children, which cannot be ensured while the jungle of private competition in industry, with investors lusting for profits, is unredeemed. Take the colossal waste of unrestrained and unco-ordinated private enterprise in the building of the British mines and railways, as two examples. For what has been the contention of the coal-owners, as revealed in the alarming evidence of the Sankey Commission? They said that the needs of the people in general in the shape of reduced prices, and those of the workers in the shape of better wages and conditions, could not be supported by the industry because, on the one hand, the middlemen's profits absorb a tremendous proportion of the cost to the consumer, and, especially, because private ownership of mineral rights in the soil had resulted in the wasting of intervening seams between two adjacent coalfields and collieries; the calls of private profit had led: to the exploitation of the best seams without consideration of their relation to the other seams and to the field as a whole, and to the sinking of capital in uneconomical collieries! With regard to the British railways, at least an equal lack of consideration for the future has been evinced. Public control of railway development from the beginning would have prevented capital from being sunk irreparably in wasteful competition, upon which dividends have had to be paid ever since, thus crippling demands for higher wages and better conditions, and those of the travelling and trading

public for reduced charges. Right from the start of British railway history, Government committees, Parliaments, Royal Commissions and railway officials have condemned railway competition and the sacrificing of the general to private interests. The history of English railways is the history of blind, wild competition, with enormous expense and waste, followed by amalgamation and combination after the damage had been done; the State has stepped in from time to time to mitigate the worst evils of competition.

It is not for the opponents of collective enterprise to boast of their belief in economy and savings. Collective control of big, essential services, to avoid overlapping and duplication, and thus minimising overhead charges and increasing efficiency, is far superior to unregulated private enterprise; which, as in the case of the railways and many big trusts and combines, has itself been driven to closer integration and co-ordination, that collective control from the beginning would have provided, in order to maximise efficiency and profits.

(*c*) Risk-bearing

Risk-bearing is an acid test of economic efficiency. It is of the essence of economic progress that risks be taken. It is true that the basis of much of the success which has attended the development of capitalism, has been the willingness of individuals to shoulder risks and to face the consequences. This is vital, and cannot be easily dismissed in discussing the social and economic implications of collective enterprise. Will collective enterprise stifle this indispensable quality, or will it provide for the exercise and development of it in industry? And who will bear the risks and make the decisions as to what risks shall be taken and in what way? Above all, will it tend to develop that type of character which is ready to face the problems of life and of economic progress in this adventurous spirit? These are, indeed, searching questions, and must be faced resolutely. In fact, it will be found that public authorities are the real risk-bearers:

it is they who build for the future, with no dominating preoccupation for immediate profitability in the narrow, capitalist sense. The State can take bigger risks than private individuals inasmuch as its resources are greater. Thus, private enterprise alone cannot tackle properly the electrification of the railways of Britain. In Queensland, the Government indulged in a policy of railway expansion in the interest of the future of its people, involving deficits at the time, where capitalist Governments inspired by other motives had feared to launch out. The whole history of the development of public ownership in Queensland, between 1916 and 1920, was a record of risks taken, consequent upon the failure and inability of private enterprise to meet urgent needs. Financial deficits—inevitable in the circumstances—were condemned by the opponents of collective enterprise; but now, in addition to benefits conferred on the people by reduction in prices and steady trade, future success has been assured to many industries. Under President Roosevelt, the United States Government is taking risks that private enterprise never would have taken. Russia certainly has taken terrific risks in the development of a collective economic system. Criticism of Russian methods cannot overlook the fact that Public Authorities have induced phenomenal economic advance through risks taken.

Most of these are, of course, major risks. There are other, relatively minor, but, nevertheless, supremely important risks that concern the development of particular industries under public control; such as the readiness to introduce new processes, to experiment.[1]

To-day the people who bear the risks are not those who

[1] Note that at the 1934 British Association Meeting, at Aberdeen, in a discussion on "Displacement of Man by the Machine", various speakers protested that great combines were buying up and destroying inventions which were an embarrassment to them, while a Professor appealed for their use to stimulate economic recovery!! See *Daily Herald*, 12 9 34 On the other hand, note that, on 1st March, 1936, the German Post Office opened the first two-way telephone-television service in the world· Berlin-Leipzig (about 100 miles by cable)

take decisions. The shareholders shoulder the financial burden, the salaried officials (not always as shareholding directors) take the responsibility for initiating policy and development,[1] and under publicly-administered services their function would continue.

Thus one is thrown back upon the deeper problem whether the incentive of profit alone can inspire such effort. A study of this incentive shows that it is based largely, not on love of money itself but on the worship of the prestige and power which it can give. No one really, on reflection, contends that the best service is rendered to mankind as a result of the love of prestige and power. Doctors, civil servants, teachers, railwaymen, miners, nurses, inventors, artists, and poets put forth their best efforts without any of these inducements;[2] which, in any case, as things are, can only possibly operate with regard to a mere handful of men. Indeed,

[1] For example, in the Pennsylvania Railroad Company, at 31st December, 1929 (see U S House Committee on Inter-State and Foreign Commerce Study "Regulation of Stock Ownership in Railroads", *House Report*, No 2789, 71st Congress, Third Session [February, 1931], Washington, D C), not one director or officer held one-tenth of 1 per cent of the total stock, and the combined holdings of all directors could not have amounted to more than seven-tenths of 1 per cent, and were, presumably, very much less *The Quarterly Journal of Economics*, Vol XLVI, No 1, November, 1931, pp 68–100 "The Separation of Ownership and Control in American Industry," by Gardiner Means; quoted in an address by R G Tugwell, of Columbia University, on "The Principle of Planning and the Institution of Laissez-Faire", in a discussion on "Economic Organisation and the Control of Industry", at the 44th Annual Meeting of the American Economic Association, Washington, 28th–30th December, 1931 *The American Economic Review Supplement*, Vol XXII, No 1, March, 1932 *Papers and Proceedings of the 44th Annual Meeting of the American Economic Association*, Washington, December, 1931, pp 63–104

[2] Cf Prof Pigou's reference to the advantages of productive co-operation "For a given sum of money, a more efficient engineer or manager can be obtained than will be forthcoming under private management, for the reason that the position of a public servant is at once attractive in itself and also makes appeal to altruistic motives This advantage, it must be clearly understood, is a real advantage, and not a kind of bounty obtained at the expense of the engineer or manager, for there is created a new value in the extra satisfaction which the said engineer or manager derives from the fact of serving the public. The difference between what a man of given ability would have been willing to work for in a private company and what he does work for in a State department is, in effect, extra product due to the adoption of the public form of industrial organisation" (*The Economics of Welfare* (London, 1932), p 387).

one of the biggest risks ordinarily not regarded as having an economic character, but which have such to a very great extent, are borne by the type of person just indicated. Consider the worker in scientific research, who literally invests his capital (his time, energy and future prospects) in the pursuit of a particular study which may bring no financial reward, but which may be of real use to the community. Take the miner or the railwayman, who to-day has no chance to exercise his capacity to take risks. Give him the necessary training; and is it not likely that the same character and capacity for hard, steady work, with no reward in the shape of an unexpected, unearned surplus, would respond to the demand of higher posts in industry? Further, the method of administering public concerns, which is discussed elsewhere, is such that the kind of person capable to-day of assuming a big risk would be given the chance to do so in the service of the State; only the worst consequences of individual failure would be avoided and there would be far greater scope for enterprise, with public financial support in the right place and to the essential degree.[1] Something which we now call speculation will still operate; but it will be under social control and will not be pure gambling. With the lure of profit as an incentive industry and commerce are regarded more or less as "a great game"; a thoroughly vicious conception of their functioning because it implies that the winning of it, involving the sacrifice of many other, legitimate and larger interests (often those of the whole community), matters more than the game itself, a conception utterly foreign to true sport. In fact, such a conception obscures, if not obliterates, the function of industry, i.e. social service, which is its true function. Mr. R. G. Tugwell [2] further makes the point that profits set aside as reserves to ensure

[1] Collective principles have been introduced into agricultural organisation Addressing the Institute of Public Administration recently, the British Minister of Agriculture said that there had been found to exist an enormous fund of goodwill and administrative talent everywhere present in Britain, permitting this successful new experiment in collective economics and administration (*The Times*, 18.10.35).

[2] Op. cit.

future dividends and invested in other concerns cannot possibly act as an incentive in their own particular industry, because they guarantee a reward whether or not the productive activity which they purport to remunerate is performed. In short, gambling, competition, selfish adventure, greed and profit-seeking, are the normal motives operating in unplanned, anarchic, individualist, capitalist economy. The duty of every true patriot and citizen is to create a collective economy, in which other and nobler motives will operate, as they do in many cases now, without having the fruit of their exercise taken from them by the exercise of baser motives by a comparatively few, lucky individuals.

(d) Competition and Incentive

There are those who believe that competition is essential to economic efficiency. Most people, in fact, still think, internationally, and to a great extent, nationally, in terms of a competitive basis for economic activity. Competition, however, does not provide material well-being now. At best it merely exalts into undue, and often unmerited prominence the wealthy and fortunate few, at the expense, to the whole community, of the loss of all the possibility inherent in the submerged lower strata. It does not even provide an adequate supply of life's necessities for the mass of the people, let alone the joys of art, comfort, travel, culture and the full expression of personality. It has served its day and generation. In the absence of a higher ideal it gave the background to the Industrial Revolution of the nineteenth century and to the material progress of the past hundred years in the Western World—plus all its horrors! Mankind having lived through this period of its infancy, may now advance by the utilisation of higher and more useful faculties. The removal of the competitive basis of the economic system, however, and the progressive mitigation of the natural inequality which renders competition between individuals to-day so unfair, will not mean an attempt to eliminate all forms of competition. That

competition which strives merely to excel for the sake of excellence, is far removed from the unadulterated selfishness which our educational system inculcates into the minds of its innocent victims as the foundation of a successful life or the embodiment of greatness, and the stimulus of a refined and hardened character. In the society of the future the public service will be properly conducted because its administrators and servants will have received a training which has instilled into their minds the hollowness and triviality of a glorified and indulgent egotism, however that is expressed, and taught them the joy of team work and co-operation, demanding indeed the best of each but subservient to the needs of others. Competition there may, and doubtless will be, of a healthy kind, stripped of the struggle for power and economic domination over others. The instruments of that industrial society will not stoop to take any personal advantage purchasable only at the expense of another's misery and repression. There, genius will seek its fullest and richest reward in the knowledge of its added ability to serve its fellows, and its struggle to excel—for such an element of adventure must surely remain in any full-blooded society—will serve only as a glorious stimulus to others towards emulation and higher attainment. Nevertheless, in planning for the new industrial order one must leave room, in the early stages of its development, for the exercise of the desire to compete, until true education and spiritual enlightenment shall have given that capacity a new meaning, while stripping it of all harmful influence over the lives of other men and women. It would be unwise to abolish entirely, so far as human nature demands it, in these stages, either the public recognition of special talent or even the payment of extra remuneration to the able industrialist; and, probably, for some time many workers will need encouragement in the shape of bonuses and special piece-rate payments.[1] Inasmuch as the heads of capitalist industry

[1] This has been Russia's experience. Compare its permission of a degree of private ownership to peasants and recent attempts to relate wages to talents

are essential to the well-being of a collectively-run industry in its early stages, concessions may have to be made to win their whole-hearted co-operation pending the time when true education, new experience and functioning in a new atmosphere have tended to develop in them, and in their successors, new motives. As servants of the community it is to be expected, however, that most men and women will put forward the maximum effort in a collective economic régime.

While collective enterprise must suppress the abuses by which the individual interest finds itself in opposition to the general interest, progress does not consist in suppressing the individual interest, but in harmonising it with that of the collectivity. It would be a mistake to suppress entirely the motive of personal interest. The evolution of humanity is not yet sufficiently advanced for men to be content with the motive power for action of the general interest. This motive is as yet only the exception; and is found only among rare men and women. A long stage of moral education is necessary for it to be approved more widely among the community. It is there, however; and it is the supreme duty of the State to develop and to appreciate it.

(e) Profitability

Comparisons between public and private enterprise lead to a consideration of their relative "profitability". Theoretical considerations must not be allowed to decide as to their desirability. Private enterprise is deemed successful only if it produces ample dividends with no criterion of the effective provision of social utilities.

and performance Methods of developing personal initiative have been devised; and piece rates and higher wages for better work led to the great "Stakhanovist" movement for increasing individual output, by various forms of scientific management, with progressive piece-rates and a higher basic wage. See the Resolution adopted by the Plenary Session of the Central Committee of the Communist Party, Moscow, 21st–25th December, 1935, and *Report of First Congress of Soviet industrial and transport Workers belonging to this movement*, 14th–17th November, 1935, at Moscow (*Industrial and Labour Information*). Collective methods of raising production are discussed at factory meetings and promoted by Trade Union activities

Should collective enterprise submit to the same standards? Certainly business efficiency must characterise such undertakings; a public concern must not, in normal circumstances, run at what would be called, ordinarily, a loss. In normal circumstances, therefore, such enterprises should be self-supporting. As, however, public enterprises have, as their major aim, the provision of the best services at the lowest possible cost, and with regard to future as well as present needs, they must not always submit to the same test. Thus, transport services catering for the mass of the people mainly, and for the development of industry and trade, through low charges may be running deliberately at a loss, as shown in the yearly accounts; whereas, on the other side, immeasurable in monetary terms, would be the value of cheap transport to millions of workers and to industry and trade—and also provision for future needs might call for investment of capital in lines which could not, at once, show, on paper, other than a loss. Further, the State and other Public Authorities have duties, as model employers, to their workers, which may, in given circumstances, involve, with no higher charges resulting, paper losses.[1] Careful analysis of accounts of public and private enterprise will show that often, as in the case of the former London County Council Tramways, Public Authorities make provision for repayment of capital, which is not made by private undertakings and, instead of showing a profit on operations, they show a loss through meeting full sinking fund charges. In such cases the community gains in time full possession of such a service. It is, however, very important, as already indicated, to decide to what extent the present generation ought to

[1] The following illustrates this aspect of a publicly-controlled service In 1930, the British Union of Post Office Workers protested that the Labour Government decided to aim at raising, in 1930, a profit of £10 million (as compared with the £9 million in 1929) on the Post Office without raising the wages of many badly-paid lower-grade workers, or giving any other benefits to them, or extensions of Post Office services The organ of the Union of Post Office Workers rightly said that, despite the policy of aiming at a certain profit figure, if, in return, the Postmaster General were given a reasonable autonomy in managing the undertaking this might be acceptable

be sacrificed to the future in this respect. The utility of some economic services must be spread over several generations; and one ought to examine more closely whether this generation ought not to be relieved of certain elements of capital repayment charges. "Profitability" in the truest economic sense implies the provision of a net service to the whole community—present and future.

Therefore, while collective enterprises in their separate accounts should tend to show profitable working in general, as ordinarily understood, to prevent waste, extravagance and laxity, and to stimulate efficiency, they should not be judged altogether and fundamentally by this criterion. There are, however, innumerable cases of State and other collective enterprise which have been successful in an ordinary commercial sense. To mention only a few, look at the records of the British Post Office, the Canadian Ontario Hydro-Electric Power Commission, the Indian and Japanese Railways, the Australian Commonwealth Bank, the German, Swiss, Italian and Queensland Insurance systems; and the very successful co-operative trading services all over the world.

(*f*) Financial Advantages

The tendency towards collective ownership and control of industrial services is to be welcomed because of the financial economies brought in its train, which must make for cheaper services. The State can introduce many such economies.[1] These would be maximised if collective ownership and control were more or less universal, with large-scale planning of all national resources. Public concerns introduced into the capitalist system, however, show substantial economies. Their capital charges are lower, and the cost of borrowing less, owing to the great security which they can offer.[2] It

[1] Incidentally the State as owner could abolish much of the scandal of superfluous directors and of the holding of numerous directorships by one person

[2] As an illustration of the financial superiority of public over private enterprise, on account of cheaper rates of borrowing, a U.S. Census on Financial Statistics of Cities (Bulletin 126) some years ago, showed that the average rate

should be remembered that under private ownership the interest on capital is always accumulating, whereas under public ownership it tends to be wiped out. Again, collective enterprises charge lower rates to consumers. Consider President Roosevelt's electricity undertakings, especially in the Tennessee valley.[1] Great services also have been rendered when paper losses have been shown; and deliberately so, sometimes, as in the case of Australian railways, some Queensland State enterprises, and Australian and Canadian shipping services which helped primary producers by competing with private lines. As such a policy is often vigorously criticised by the opponents of collective enterprise, listen to the National Chamber of Commerce:

of interest paid by all cities in the United States on their total debt was 3 per cent, whereas the rate on private investments was not less than 6 per cent In *The City of the People* (p 139), F Parsons stated that Municipalities could borrow at 2–4 per cent less than private companies.

Mr. Splawn said that whereas the average rate of interest on outstanding bonds of railways in the U S in 1925 was 4 73 per cent, the Government normally could refund the railway indebtedness at a lower rate—even as low as 3·73 per cent, which, counting the bonds at approximately $11 billion, meant a saving of $110 million per annum. See *Government Ownership and Operation of Railroads* (New York, 1928), p 422

[1] Note also the following interesting information In 1931, the Delegation of the Financial Committee of the League of Nations appointed to prepare a definite scheme for the organisation of international agricultural credits considered replies to a questionnaire established by the Conference held, at Warsaw, in August, 1930, by the Agricultural States of Central and Eastern Europe These replies, from the Bulgarian, Esthonian, Hungarian, Latvian, Polish, Rumanian and Yugoslav Governments, gave definite information on various points concerning the operation of agricultural credits in the countries under consideration As regards rates of interest, the replies conveyed the following information. In Bulgaria, the Agricultural Bank lent at 10 per cent, co-operatives at 12 or 13 per cent, private persons at 15 to 20 per cent and above. In Rumania, the Crédit Foncier Rural and other more or less official banks lent at rates varying between 5 and 13 per cent. Private banks asked 12–15 per cent plus a quarterly commission of 1–3 per cent. Certain private persons lent at 12–22 per cent; and, according to the Rumanian Government, cases of usury exceeding 30 per cent were fairly frequent. In Yugoslavia, the conditions varied according to districts They were most favourable in Slovenia, where the average rate was from 6 to 9 per cent, and where, thanks to the co-operatives, rates were lower for short- and intermediate-term credits than for long-term credits In the regions of Croatia, Slovenia and Voivodina, usury was not rare and occasionally interest amounted to 50 per cent.

Public enterprise, free from financial preoccupations, imposed by private enterprises, can assure users certain advantages; quarters, regions, are, for example, served by transport lines whose deficits need not be considered. Reduced charges are given to certain industries which can thus develop greatly . Certainly public powers have the right and sometimes the duty to sacrifice, in certain cases, financial equilibrium of their undertakings for the general interest of the country [1]

A member of the British Central Electricity Board [2] stated, on 14th November, 1935, that this Board, after eight and a half years' existence, was saving the country nearly £20 million per annum; and it had greatly reduced prices. Mr. R. L. Dewey [3] says that he considers that private electricity interests in the United States and Canada charge what the traffic will bear regardless of cost, whereas Municipal and provincial undertakings base their charges on reasonable costs. The former charge rates to domestic consumers considerably above necessary operating and capital costs. The experience of the British Post Office shows what reductions in charges a State undertaking made, when it came into being as compared with charges previously made by private enterprise. In this connection, moreover, bear in mind the tremendous benefits conferred on consumers in services run by municipalities, especially in Great Britain and Germany. Take, for example, the former L.C.C. trams and their low rates, to help the poorer sections of the community.

The experience of State Railways the world over shows, indeed, as in Australia, South Africa and Switzerland, the benefits conferred through low charges. Recently, the Swiss State, for example, gave its railways credit to enable them to reduce fares by 30 per cent for all foreign visitors coming to spend at least a week in Switzerland during the summer months.

[1] *Report of the International Chamber of Commerce, on Comparative Study of Public and Private Enterprises*, Amsterdam Congress, 1929

[2] Sir Duncan Watson see *The Times*, 15 11 35

[3] Ohio State University article in the *American Economic Review Supplement*, March, 1931, p 255

Collective economy eliminates the waste and, therefore, the higher cost, due to inefficient economic organisation of production and distribution. In distribution the consumers have to pay for this waste. For example, it has been estimated that a proper organisation of distribution of the Amsterdam Bread Service would have led to a saving of £280,000 per annum.[1] There is great waste in the distributive and retail trades, through the duplication of services and the excess of shops resulting in unnecessarily high prices to the consumer.[2] The advantage of the Municipality, the State and co-operative societies, being substituted for the individual capitalist in the amassing of savings and in the investment of capital is emphasised by Mr. H. W. Laidler.[3] He points out that the community, with better resources, can produce better statistics as to industry's capacity and can regulate and co-ordinate investment of capital among various industries so as to ensure equilibrium between the development of new productive industries and the development of the consuming capacity of the mass of the people. It would do this much better than numerous individual capitalists. In any case, companies have replaced individuals as savers, by amassing reserves, and no longer do they distribute more than a certain amount as dividends. This is a step towards the collective economy. Saving in a collective State will not be the difficult problem envisaged by former capitalist economists.

(g) Professionalism

Publicly-owned and controlled industrial services, like the Civil Services, must rely for their efficiency, to a very large extent—beyond the fact of their subjection to the

[1] Prof Dr J. Goudriaan *The Efficiency of the Amsterdam Bread Service*, 1922, quoted by F M. Wibaut, in *A World Production Order* (London, 1935), p. 136. It was estimated that this would have been equal to a saving of 35*s*. per annum per household in Amsterdam

[2] Cf Wibaut, op cit, pp 136–40

[3] *Revue Economique internationale*, February, 1931, pp 247–70, "Le capitalisme nouveau (ou Néo-Capitalisme) et le Socialisme"

daylight of public criticism and control—on the development of a wholesome "professionalism" among workers in these services. This will not be synonymous with insularity and conservatism, nor with mere automatic efficiency. To-day, very largely, society depends on the standard of skill, honour and devotion to the public service of doctors, teachers, nurses, civil servants and scientific research workers. Though professional bodies sometimes tend towards conservatism, especially in law and medicine, they certainly tend to preserve and develop standards of conduct which make for efficiency.[1] They are certainly superior to the standards of the jungle of private business and commerce. Sir Harold Bellman,[2] Chairman, National Association of Building Societies, said recently that private business "could learn much from the Civil Service in the cultivation of institutional loyalty and devotion", and "that as business assumed more and more the dimensions of large-scale units, it would be increasingly faced with problems which have presented themselves to the Civil Service". This professionalism will defend, incessantly, the rights of workers of all grades of these public services; but, because it is motivated by a strong sense of duty towards the State, it will not tolerate laxity in the discharge of functions by officials. It will oppose sinecure jobs, and even the retention of posts by officials who fail to give proper service. Under existing conditions, very rightly, the contract between the State and its servants is such that it is very difficult for it to dismiss them: the contract is one inducement to enter the service of the State as yielding greater security than private enterprise. Under

[1] Cf p 77

[2] Addressing the Institute of Public Administration, on 27th February, 1936, on "The Traditions of the Public Services can they be extended to business?" (*The Times*, 28 2 36) He said That the business world lacked, in part, at least, the instinctive traditions of the public services, "that there was substantial agreement regarding the high standard of efficiency in the Civil Service, judged, so far as was possible, by ordinary business standards"; and that there was much in the Civil Service organisation which business could usefully study, especially its judicious combination of its own and the public welfare

a full collective system, more rigid conditions will be insisted upon, not only by the State, but also by the staff.

(*h*) A Special Illustration: South African Railways

An exceptionally important illustration of the general advantages of public ownership is the case of the South African State Railways; and this deserves space apart, as underlining some of the considerations that have just been urged. Mr. A. J. Norval, Professor of Commerce, Transvaal University College, vigorously justifies [1] their operation as being conducted on economic principles—and therefore on business principles, though with a different conception from private enterprise. He points out that if these railways had been administered as a private undertaking under monopolistic conditions they would have been administered so as to yield the maximum net revenue. Rates would have been fixed irrespective of whether they were at a level in the best interests of the community as a whole or not. In the Act governing the administration of the State railways, it is laid down definitely that in their administration due consideration must be given to agricultural and industrial development in the Union, and to the settlement, by cheap means of transport, of an agricultural and industrial population in the interior—which, clearly, it would not be in the interests of a monopolist seeking private profit to undertake. Further, the railways' earnings are limited to operating expenses, cost of maintenance, and payment of interest on capital, etc., which limitations, again, would not be approved by a private monopolist. A private business man's conception of business principles is that of the conduct of his affairs to achieve pecuniary gain. Certain State enterprises might be conducted on these lines—for example, the fiscal monopolies of Continental Europe. Nevertheless, this cannot be the aim of all State industrial services. Moreover, in

[1] In *The Administration of South African Railways on Business Principles.*

attaining the objective of pecuniary gain, a private undertaking, particularly a monopolistic undertaking, would find it to its interest even to encourage a disturbance of the smooth working of the industrial system in one country or in many countries, whereas it is in the interests of a State undertaking to facilitate the smooth working of the economic system. Private businesses are known often to encourage such things as "corners" on the produce and stock exchanges; and manipulation of freight rates to stop industries being established in certain places. The history of private railways in England and America is full of cases whereby the control of rates has involved unfair practices. The notion of business principles which has governed these State railways' administration has been that of economic rather than business principles. "State regulation in the interests of society as a whole is more and more substituted for anarchic individualism."[1]

The State railway administration is often accused of discriminating against certain sections of the community—for example, the gold mines in favour of others, e.g. the farmers. It should be pointed out, however, that the gold mines are very favourably situated in all respects; for example, with a stable market, with no necessity to deal with middlemen, no costs of marketing, and a product so small in bulk compared with its value that the costs of transportation are negligible. The author denies that this industry should be treated exactly the same as that of the farmers. The farmer has no control over the final price at which he sells his produce, and the greater part of this price is absorbed by a wasteful and expensive distributive organisation; and, moreover, the farming industry is one of the most risky. The State railways are rendering this industry, and the national economy as a whole, a real service in discriminating in the farmers' favour.

Moreover, condemnation has also been directed

[1] In *The Administration of South African Railways on Business Principles*, pp 10–11

against the conveyance of stock from drought-stricken areas to fresh pasturage. Yet this is economically sound and is commendable if there is no other reasonable way of saving the stock. Would it be good policy for the railway administration to allow such farmers to go to ruin through fortuitous circumstances which they cannot control, such as droughts lasting several years, and lose all traffic, rather than to nurse such drought-stricken farmers through their period of distress and recoup the loss incurred in this way at a later stage by increased traffic? In the same way, grain elevators, though operated at a small financial loss to the Administration, yet are to be commended on economic principles, as the total gain to the community and the indirect gain to the Administration are bigger than the financial loss to the Administration. These elevators have brought about significant changes, and have greatly benefited the farming community. Farmers served by them now no longer need to hurry their produce to the market to liquidate their debts, but, through the system, can engage in more systematic marketing, and thereby realise better prices. Encouraged by these better prices, there is increased production, leading to greater consumption, both of which mean increased traffic for the railways. Therefore, what is lost on the elevator system by the Administration is more than compensated by the increased traffic due to the beneficial effects of the system on the farming community. Moreover, apart from the protection which this system gives the farmers against the middleman, there is the distinct psychological value, in that in time it must awaken in the farmer the desire to become financially independent of these middlemen, who in many respects are their greatest enemies.

The author vigorously defends the *White Labour Policy* of the State railway administration against the attacks of its critics.

It is contrary to the terms of the Act, and most uneconomic, so it is alleged, to employ white civilised labour instead of cheap native labour. The fallacy underlying this argument is that it is

more economical to employ cheap labour than well-paid labour, although no well-informed person will for one moment contend that the efficiency of the lowly-paid labourers of the East is as high as or is even to be compared with that of the much better paid labourers of the West, and particularly of the United States of America. On the contrary, it is an acknowledged fact that well-paid labour is, on the long run, much more economical than lowly-paid labour, for the simple reason that the effects of wages are positively or negatively cumulative, depending upon whether they are sufficiently high to enable the labourer to lead a contented life. Apart from high wages, one of the most essential prerequisites for the maintenance of a high state of efficiency in a large concern, such as the Railways, is a permanent and stable labour force.

CHAPTER XI

SPECIAL CONSIDERATIONS FOR THE MANUAL, CLERICAL AND HIGHER-GRADE WORKERS

(a) ADVANTAGES OF COLLECTIVE ENTERPRISE FOR THE WORKERS

THIS study has been undertaken, principally, in an attempt to show to what extent and in what way the principles of collective economy have triumphed in economic evolution. The effect of such undertakings on the workers has not been sought specially. It would be an interesting study, however, to trace this effect; for it is essential that there should be substantial gains for the workers. Collective enterprise, after all, is but a means to an end; not an end in itself. It is justified only in so far as it promotes economic progress, including a higher standard of living and a fuller life for all. Collective enterprises seek, and should do so to an even greater extent, to act as the model employer. They have special responsibilities to their employees. The records of collective enterprise bear testimony to their general superiority to private enterprise in this respect.[1]

[1] For example, in Great Britain the Municipality of Bermondsey, in the payment of wages and in the general treatment of its employees from the humanitarian and psychological point of view, shows especially the gain to the workers resulting from collective ownership. Dr. Salter, M P for Bermondsey, pointed out in the British House of Commons, in 1930, that the Municipality of Bermondsey paid 10 per cent above Trade Union wages and gave workers a holiday, wet and frost time and sick pay—and pension rights till stopped by the Public Auditor In an article in the *Monthly Review* of the U S. Bureau of Labour Statistics, May, 1918, Florence E. Parker, writing on "The Effect of Nationalisation on Wages, Hours and Rates of Transportation", said that with regard to France, Italy, Switzerland and Japan, data

Undoubtedly the Public Authority is a better employer than a private one. It offers better conditions of employment, including pensions, better working conditions, greater security and stability. It is less arbitrary in handling its staff. It is easier to negotiate with it. Not only is it more reasonable, but also it is more amenable and susceptible to checks. A Public Authority cannot ignore publicity given to facts relating to its concerns, or pressure thus brought to bear upon it by public opinion.

Higher-grade workers, belonging to the technical and professional classes, also gain by having such an authority as an employer. The above conditions apply equally. These classes, moreover, with their accustomed insistence on a high standard of living, must appreciate, in particular, the security and stability of employment which public services offer.

Also it should be observed that all grades of workers, as distinct from those in any given industry, benefit from the lower charges of such public services, as has been seen in the case of railways and electricity, and from the increased general economic and social facilities resulting from State expenditure in promoting, by electrification and other public works, general economic advance and economic stability.

(*b*) Workers' Control

One important aspect of public-owned and controlled industrial undertakings is the necessity of giving the various grades of workers an adequate share in the conduct of industry, i.e. of associating not only the Trade Unions with the national conduct of industry as a whole and of particular industries, but also the staffs, in the workshops, factories and offices, with the conduct of their concerns at the various stages involved. Public Authori-

secured show that in each of these four countries an increase of wages took place coincident with, or shortly after State purchase Mr Parsons, writing on "The Story of New Zealand", says that since 1896 Government ownership of railways has raised wages.

ties have the duty not only of raising the standard of living but also of making work itself more enjoyable, and of enabling the staffs to take the most intelligent interest in their work and contribute their ideas, knowledge, and experience to the conduct of industry. The realisation of this has led various Governments, since the Great War, to develop works' committees, endowed with definite rights in regard to the conduct of industry, i.e. supervision of the enforcement of social legislation and of trade requirements, and even, in some cases, participation in economic management.

Though immediately after the Great War the movement for Works' Councils made great advances in certain countries, the wave of enthusiasm has died down; and, even in Socialist and Trade Union quarters, the demand is not strong now. The reaction has been all the stronger because recent political changes in Germany and Austria have changed the course of the Councils of these countries, where their influence was strongest. Even there, however, the Councils remain, with important functions.

Let us glance at the present position. There are, of course, many unofficial voluntary Councils, in such countries as the United States and Switzerland; but these are quite different from the official (compulsory or voluntary) Councils which are being discussed here, and are really mere children of the employers. There are, however, some unofficial Councils on the Canadian National Railways which have been of value to the workers.

"Official" compulsory Works' Councils exist, for example, in: *AUSTRIA* (by a 1934 Act, repealing the former 1919 Act); *CZECHOSLOVAKIA* (by a 1921 Act); *DANZIG*, Free City of (by a 1934 Act, replacing a former Act); *ESTHONIA* (by a 1931 Act); *GERMANY* (by a 1934 Act, replacing the 1930 Act); *LUXEMBOURG* (1925); *MEXICO* (by the 1932 Labour Code); and *NORWAY* (1920).

"Official" voluntary Works' Councils have been pro-

vided for in Great Britain, under the "Whitley Scheme", 1917–19.[1]

Moreover, in 1932, an important Bill in Spain was on the point of being passed into law. Though it does not provide, strictly speaking, for Works' Councils, mention should be made of the Netherlands 1933 Act, by which industrial Councils could be established in any occupation, where thought desirable, for the whole country or for a region. Half the members of such a Council would be appointed by the workers. It would advise the Government on Labour matters. In certain circumstances, and on certain points, it could impose orders on the occupation—binding on employers and workers.[2]

These Councils have several different features which are worthy of special emphasis. The fundamental distinction, already indicated, is between compulsory and voluntary Councils. Voluntary Councils may be left to the employers to initiate (British Whitley Scheme, virtually, and 1931 Bill), or to the workers (Spanish 1932 Bill). The former German and Austrian, and the Norwegian and Czechoslovakian Councils, represented the workers alone. The present German, Danzig and Austrian Councils comprise the workers' representatives plus the head of the undertaking, though in Austria the workers' representatives alone have special duties. In the British Whitley Scheme the Councils formed as recommended by the Minister of Labour are joint, though some represent workers only. The functions and rights of the Councils differ. In general, they have functions in regard to collective agreements, on the protection and safety of the workers, on working conditions, disputes and welfare work. In Austria, a distinction is drawn between the functions of the works' community, i.e. the Councillors plus the head of the undertaking,

[1] Note also the British 1931 Bill introduced into the House of Commons.

[2] Note also the similar private member's Bill introduced into the British House of Commons, providing for Industrial Councils, and the legalising of voluntary agreements reached by them.

and those of the representatives of the workers. The former German and Austrian Councils, however, gave the workers the right to participate in management and in supervising production. In Germany, there was a right to sit on Boards of Management and the right of initiative on such Boards, as well as the right to have the fullest information and publicity about the working of the undertaking, its finances and accounts.[1]

In the former German and Austrian, as in the British Councils, there was freedom of election. In Germany and Austria to-day, election is not free. In Germany, membership of the Labour Front is essential; and the Labour Trustee can cancel appointments and the Head of the undertaking, in agreement with the National-Socialist Works' Cell, draws up the list of candidates, or, failing agreement, the Labour Trustee. Although, in Danzig, membership is not dependent on membership of a given organisation, the State Authority must approve elections. In the former Austrian and German Councils, as in the British Whitley Scheme and the Spanish Bill, there was a strong link with the Trade Unions. The free Trade Unions, however, have gone in the former countries. The Works' Councils movement has been accompanied by the development, in certain countries, of a system of joint councils at other stages in industry. All kinds of district, regional, sectional and National Joint Councils have grown, for example, in the Whitley National Joint Industrial Council movement, the parallel movement introduced under the British Railways 1921 Act, the local, Sectional and Railway Councils of the Canadian National Railways—and, indeed, in a different way, in the Italian and Austrian Corporation systems, applying a similar principle.

[1] In Esthonia, workers could obtain full information about the undertaking, its contracts, labour needs, etc The Spanish Bill gave the workers the right to share in the economic management of the concern, including advisory attendance at Board Meetings, to obtain full information, to study the relation between production and wages and to suggest improvements in technical methods and organisation The British 1931 Bill conceded the right to be informed, but no share in economic management.

It cannot be said that this movement has failed; for there has been a growing recognition that it is necessary to associate the workers increasingly with industrial government, and especially, with internal administration of undertakings. There has been, however, a setback to the movement, especially in regard to the association of the workers with economic management, largely due, in Austria, for example, to the workers' lack of capacity for utilising the facilities afforded. On the Continent, political considerations, including use of Councils for party fights, have contributed, together with the general economic decline, to the general situation. In Great Britain, in Trade Union circles there is no desire for legislation to compel the formation of such Councils. It is said that it would be preferable for the unions to develop their organisation to the point where they could compel employers to concede the powers and rights demanded. The British "Whitley" Councils are pointed to as an indication of the unsatisfactory and half-hearted movement that would result from "official" councils. Many British Trade Unions have been suspicious of Whitley Councils; or at any rate, have behaved as neutrals towards them, partly out of the fear that Works' Councils would tend to sap the strength of the Trade Unions. This fear is groundless; for the aim would be to use and strengthen the machinery of the Unions in the working of the Councils. In any case, a strong Trade Union would have nothing to fear, and a weak one might receive a very valuable stimulus. The recent, most authoritative statement on the attitude of the British Trade Unions [1] declared that while Trade Unions wanted more responsibility in the sphere of such matters as Labour questions, including recruitment, dismissals, discipline and working conditions, they did not consider that questions such as technical and commercial policy, sales policy, raising of finance, supply of raw material, interested the workers very much. Therefore, they

[1] *Trade Unionism and the Control of Industry*, Report submitted to the Trades Union Congress, in 1933, Newcastle-on-Tyne, op. cit., pp 214–47.

would have ultimate responsibility placed in the hands of managers, satisfying proper standards of fitness, including fitness to work successfully with large bodies of workers. At the same time they wanted the workers to be consulted on such matters, for which purpose they urged the appointment of Works' Councils, representing all grades of workers and management; the workers' side to be organised by Trade Unions. The British Civil Servants' organisations, in sharp contrast to the practice of many other workers' organisations, have made good use of Whitleyism, and have built up a strong movement.

With regard to the objection against compulsion, it is true that only strongly organised Trade Unions can exploit fully Works' Councils; but, on the other hand, there is a good deal to be said for applying compulsion to the employers and giving the workers a chance to have such Councils. For, if they are to have ultimately a larger measure of control in industry, the workers must learn more about the technical details of its conduct and management, as well as have a larger measure of adult education; and if, through legislation, they could get the chance to force employers to give access to balance sheets and information about business, they would not only give splendid experience to the workers but would aid them in their immediate claims for better conditions.

One of the most important aspects of the change in the Works' Councils that has occurred in Germany and Austria is that emphasis has been laid on the identity of interest between employers and workers. It is perfectly true that there are identical interests in ensuring efficient management and administration; but, under the existing system of undisciplined private enterprise, there can be no further identity. One of the reasons why this movement grows so slowly in countries like England is the emphasis laid upon this identity of interest by some of the keenest supporters of the Works' Councils movement, without any corresponding effort to

discipline industry so that, under State Authority, organised employers and workers may participate in the efficient organisation of industry yielding good working conditions and serving high social standards.

Opposition to the institution of these Councils has come from those who fear that, to give a large measure of democratic control over industry, would be to undermine industrial efficiency. This, again, is a groundless fear. In certain Trade Union and Socialist circles, especially just after the Great War, it is true that there has been a demand for such an interpretation of workers' control as might inspire such a fear. The case for such Councils, however, stands apart from orthodox Socialist party politics. Even in Russia, where the experiment was tried, the iron necessity for efficiency compelled the confinement within definite limits of the powers of such Councils; although they still have important duties and rights. The Soviet Authorities have realised that large-scale, highly technical industry needs a measure of "one-man" control in regard to certain important decisions. Moreover, the Russian Trade Unions' voice in factory management is now largely consultative; they help to frame factory plans and general policies, but they function, mainly, in representing workers' interests on wages, safety, social insurance funds, educational and social questions, and in helping the management to improve productivity and in maximising efficiency.

The conclusion must be reached that any reasonable measure of workers' control is invaluable as a method of training the workers in economic, technical and administrative problems in readiness for the larger responsibility and control that lie ahead. It widens the activities of Trade Unions and provides the opportunity for perfecting and unifying industrial organisation, upon the efficiency of which the success of collective intervention will depend. It is a sure foundation of a truly democratic State. It produces a body of self-reliant men and women capable of taking responsibility in a free state, as compared with the pre-war conception of

bureaucratic State-Socialism. It will raise finally the status of all the members of the community. The slowing down of this movement must not be allowed to continue; for the winning of economic freedom exacts the conquest of a large measure of control over the work in which most people are engaged during the greater part of their lives. It is not enough that Public Authorities, consumers and Trade Union leaders should be represented, urgently necessary as this is, on central bodies connected with the regulation of industry, and on National Economic Councils. The mass of the workers must, in justice, be given as a right a real share in the running of industry. Only thus can their status in industry be raised, can they feel that they have a stake in industry, can they understand intelligently the big national questions affecting industry and trade, and can their personality be freed from the crushing and dwarfing feeling that undermines self-respect.

This is the constructive alternative to the class war. Anarchy and lack of organisation in industry, together with undisciplined private enterprise, breed class struggle and strikes. From the larger, community point of view this state of affairs can no longer be tolerated. Sectional interests of employers and workers must be subordinated to the highest national interest, which demands an efficient and smoothly-functioning economic system, based on economic and social justice. In a disciplined and organised industrial and economic system regular machinery will deal with the whole range of social and economic problems. In this machinery, and in the wider problem of the efficient conduct of industry and economic life, under State Authority organised workers and technicians will have a proper status. In a complex, modern industrial State, class war and undisciplined private enterprise ruin the national economy. Economic laissez-faire, therefore, must give way to an organised economic system, under collective authority, in which organised workers and employers play an equal part at various stages.

The struggle to extend the sphere of "collective" industry must include ceaseless effort to win for the workers of all grades at every stage in industry effective participation in industrial organisation and management. Among the major tasks of the collective economy are the freeing of management from the paralysing and demoralising influence of hereditary interests, the securing of an equal chance for all to obtain their opportunity of management and control by professional, technical and manual skill and character, and to add to political democracy its necessary complement to make man truly free, economic democracy.[1] It is significant that the vital importance of this consideration is emphasised by Fascist, no less than by Socialist Parties.[2]

[1] "This intellectual movement, bound up as it is with the new rights of the factory councils, and their fundamental principles, is a preliminary step in the socialistic transformation of economic life which is taking place before our eyes, although many of us may not be aware of it or may not wish to become aware of it." *Encyclopædia Britannica*, on Germany, Vol 31–2, Supplementary Edition, p. 264

[2] Cf Signor Mussolini's speech on 23rd March, 1936 "Under the Fascist economy, moreover, the workers become—with equal rights and equal duties—collaborators in the undertaking on the same footing as the suppliers of capital or the technical managers."

CHAPTER XII

CRITICISMS ANSWERED

OCCASIONALLY, in Great Britain, critics of collective economic enterprise descend from the realms of vague generalisation about the failure of such undertakings and attempt to give facts in support of their statements. Usually they go hopelessly astray; and no critic has yet produced a substantial body of evidence such as this volume offers in their support. Here are typical examples of false statements indicating how little care is taken to trace the facts. So gullible is the average newspaper reader and elector that public men can make astounding statements on such matters practically unchallenged.

In January, 1929, Mr. Stanley Baldwin, Prime Minister of Great Britain,[1] said that Belgium had given up nationalised railways and that Germany had given up Government control of mines: The *Observer* even went so far as to say that Germany had abandoned State ownership of mines under a Socialist Government. The late Rt. Hon. Sir Laming Worthington Evans, when Secretary of State for War, in an address delivered through all stations of the British Broadcasting Corporation as the first of all pre-dissolution political addresses at the time, also said, in April, 1929,[2] that Germany had abandoned national ownership of mines.[3] The facts are, of course,

[1] *The Times*, 25 1 29, p 11 "Belgium, a very businesslike country, which had nationalised railways until after the War, have given up that system. . . . With regard to mines . Germany has tried it She is a highly-industrial country and has given it up"

[2] *The Times*, 9 4 29, p. 11.

[3] "Let me take the coal-mining industry first National ownership was tried in Germany with the result that it did not pay the State, such losses were made that the national ownership was abandoned"

that both the Belgian National Railways and the Prussian mines, to which presumably reference was made, were still owned by the State, and were intended to remain so owned—though it is true that they were given company form for operation and administration.

It was also cheerfully asserted by Mr. Baldwin, by the *Observer* and other critics that State-owned shipping has spelt failure; whereas the truth is that, especially in Australia, although the State has borne losses, traders and consumers have been helped by cheaper charges on State lines and by the keeping down of shipping ring charges—and, in Australia, it was a capitalist Government that threw away the State ships to private interests for a bagatelle, despite tributes to their great utility. The Canadian National Steamships became so useful that the West Indies asked for a special line to help their co-operative producers' efforts. What capitalists call failure is not "economic" failure, looking at these questions from the standpoint of the general interest.

Mr. Baldwin [1] condemned paper losses of Australian State Railways; but did not state the great benefit conferred by these pioneer enterprises with their low charges, to the primary producers and to the future development of the Commonwealth. Further, in his speech in April, 1929, the late Rt. Hon. Sir Laming Worthington Evans said that wherever nationalisation of transport had been tried, losses, not profit, had been made, and that the losses had fallen upon the public to be made good by additional taxation.[2] One illustration (and there are many others) disproves this: *The Times* and *Hansard* have given for several years figures showing the remarkable service and efficiency of the Indian State Railways and the enormous contributions to national revenue. He also said that national control of banking meant political control and making every-day questions of policy

[1] *The Times*, 25.1 29, p 11.

[2] "Nationalisation of transport, which includes rail, road and sea transport, offers no better prospects. Wherever it has been tried, losses, not profits, have been made, and the losses have fallen upon the public to be made good by additional taxation" (*The Times*, 9.4.29, p. 11).

the sport of parties in Parliament—as if the capitalist Governments never exerted "political control" of banking!![1] This has never been true, at any rate of the British Treasury under capitalist Governments. If by "political control" is meant Government insistence, on broad questions of national policy and economic principle, on using the banking system for the service of national economic interests rather than for private profit-making, and for controlling prices in the interest of the workers and consumers, then collective intervention in banking must imply "political control"; but it has been stated time and again, even in Socialist programmes, and illustrated in the practice of Socialist Governments and Socialist proposals (e.g. the action of the Branting Government's members of the Socialisation Commission in supporting industrialisation of the State Railways; and the New Zealand Labour Government's Reserve Bank Act) that collective ownership does not imply regular, Party control of technical matters but rather administration by experts given considerable freedom and with real financial autonomy within general limits laid down.

Sir Laming Worthington Evans, on the same occasion, even had the temerity to state that "nationalisation as a Government policy has never succeeded at any time or anywhere in the world"! If nationalisation is not a gamble, he said, reliance would not be placed on theory only; practical results would be shown somewhere. "One cannot point", he said, "to any country which has adopted nationalisation of its main industries"!! The facts in this volume speak for themselves, in reply to this rash statement. It is incorrect, further, to say that no nation has adopted a policy of nationalisation of its main industries. Russia apart, as these pages have revealed, in many European and other countries Public Authorities own or control many of the most important industries

[1] "National control of banking and life insurance means political control; it means that all questions of policy, even the details of every-day business, would become the sport of political parties, and the House of Commons would never be free to do its proper business" (*The Times*, 9.4 29, p. 11).

and services. In Germany, the policy of collective ownership and control of basic industries has been carried very far during a long period. The Reich and the former States—not to mention Municipal and other public services—amassed a vast amount of publicly-owned and controlled undertakings [1] of a very great variety. According to the *Statistik der Elektrizitatswerke* approximately 80 per cent of electricity is produced by undertakings owned or controlled by Public Authorities. Mr. J. W. Angell [2] emphasises that, in Germany,

> The Governments as a whole play an active and important part in the country's economic life They are very large consumers of the products of private industry and by their entry into or withdrawal from the markets can often determine the prosperity or depression of entire industrial divisions. This is conspicuously true of the Federal Railway Company, the Post Office and other public utilities and to some extent of the remaining forms of Government enterprise The coal, iron and steel, machinery and electro-chemical industries, in particular, are all dependent on the Federal and local Governments for a considerable part of their orders

Italy and Turkey have gone very far in the same direction in recent years. And what about the U.S. experience under President Roosevelt and the efforts of the Japanese Government? Mr. Runciman, in his Presidential-address to the Chamber of Shipping of the United Kingdom,[3] said: "The State has never created a single item of foreign trade, it has never organised a single foreign service." This loose phrase does not bear a moment's examination. Apparently the war-time experience, which showed that in a real emergency competitive foreign trade, and shipping transport were inefficient and had to be abandoned, was forgotten; likewise Russia's entry into this realm, since the Great War, on a large scale, and her efficient conduct of this phase of her

[1] See Chap VII

[2] *The Recovery of Germany* (New Haven, 1929), p 246

[3] At the 49th Annual General Meeting, in the Hall of the Fishmongers' Company, London, on 19th February, 1926 (*The Times*, 20 2.26)

business activity. Moreover, the Australian Government succeeded, by its competition in running ships, in forcing down excessive private freight rates.[1] Since his speech private shipping concerns the world over have cried out for subsidies; and the British Government has had to impose a measure of co-operative, efficient organisation upon the industry as a condition of the subsidy. Several States have been driven to organise foreign trade and take risks. Iran created a foreign trade monopoly.[2] Chile has stood behind her nitrate producers, and Brazil behind her coffee producers; and here the State has shouldered the burden of foreign trade risks. Similarly the United States and Canada have not hesitated to stand behind their grain producers, bearing similar risks. The activities of co-operative producers' organisations throughout the world and of the primary products' export control Boards in New Zealand[3] and Australia are an assertion of the collective principle in foreign trading as against that of free competitive enterprise. And what about State barter and clearing and compensation activities during the depression?!

The English author who has taken the greatest pains to marshal facts purporting to show the failure of collectivism in action is the late Dr. Arthur Shadwell, who transformed a series of articles in *The Times*, in 1926, into a book, *The Breakdown of Socialism*.[4] Nevertheless, even he amassed only very slender evidence, which, upon careful analysis, did not bear out his conclusions.

He devoted a good deal of attention to the views of the Socialisation Commissions appointed in Germany, Austria and Sweden; to their condemnation of the old, bureaucratic State undertakings, with their delays in

[1] The difficulties into which State shipping got in Australia, the U S. and Canada were due to the attempt to meet the evils of private enterprise by adding fresh capital to be remunerated in a trade which tended to meet a diminishing demand for its services for general economic reasons

[2] Likewise Italy, a few months ago; and Poland still more recently.

[3] And, even more so, the recent Primary Products Marketing Act.

[4] See, also, two articles in *The Times*, 10.4.31 and 14.4.31, "The Passing of Socialism".

administration, political influence; and to their support for a freer and more independent form of organisation of State industrial undertakings. These criticisms, however, have been made by Socialists!!

The Swedish Commission's reports earned Dr. Shadwell's admiration, and agreement can be found with him in expressing regret that so little use has been made of them in other countries. As he admits, they are a comprehensive survey of social and industrial movements, not only in Sweden but in other countries; and are a small library—which should have been translated into English. Dr. Shadwell finds, however, that the Commission's Report which advocated the industrialisation of the State railways with their administration under a separate management, a Board representing the Government, Parliament, workers' and consumers' and transport organisations, is proof of the failure of the policy of socialisation. He even quotes the Report thus in support of his thesis that de-nationalisation has triumphed all over Europe: "So State enterprise in its popular, common sense disappears; and in its stead appears the socialised self-management of productive enterprises under representation of different interests." The fact is, however, that here State ownership and control are retained, and what is suggested is fully in line with what collectivist parties have advocated and practised since the Great War, i.e. since they got power; namely independence and as much liberty and scope for initiative as possible, in financial and administrative matters, freedom from "political" influence and the worst features of bureaucratic control, and management by technical experts.

Further, reference is made to the "commercialisation" of many Czechoslovak State undertakings, the German railways, mines and other services, and the Belgian railways. As, however, in no case is State ownership discarded, nor State control, it is impossible to speak of "de-nationalisation". Industrial evolution has just followed the path mapped out by collectivist theory and experience.

Dr. Shadwell then complains of the participation of rivate enterprise in many public undertakings, e.g. nder a Socialist Government in Austria co-operative nterprises were formed with private participation, and company form; similarly in Germany joint public and rivate companies have existed in large numbers. In ie transition to a collectivist State joint public and private ndertakings are not a sign of the weakness of the collecve concern, but rather of the stern necessity of private nterprise submitting to collectivist penetration; and if ublic ownership and control are assured it is all to the ood that a more efficient form of administration and rganisation are adopted than what has grown up for use y the capitalist state.

Again, he states that in Germany, in creating the ational organisation controlling the coal industry, epresenting owners, miners and consumers, there was a eparture from Socialist principles, whereas the truth is hat, public opinion and other circumstances not permiting nationalisation, this step achieved the next best hing—the whole industry, in which, be it remembered, vere numerous State-owned concerns, was placed under ollective control and removed from the pure laissezaire basis! This was a fine step towards ultimate ocialisation. This attitude towards Dr. Shadwell's work s supported by the *Municipal Journal*,[1] the leading veekly organ of British Municipal authorities, which says hat his undigested facts purporting to show, for example, Germany's movement away from public ownership, fail ompletely to support his main purpose; and that the articipation of private capital with that of public authoriies is "recognition on the part of private capital that lone it cannot provide communal services on the scale vhich modern society requires". The fact is, that it vould be extremely difficult to-day in face of modern conomic development and of the growing volume of xperience of collectivist intervention in industrial and conomic life, to substantiate the sweeping criticisms that

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are made by political parties based upon vested interests in the old economic system that is being challenged. This challenge to selfish, sectional financial interests in an undisciplined economic system comes not only from orthodox Socialist Parties based upon a class war philosophy and representing trade union and other equally sectional interests in a competitive system. The case for the application of Socialist principles in the technical task of transforming a laissez-faire economy into a collective economy commands the adherence of all healthy elements in modern communities, in the working class, the technical and professional middle class and industry alike. Our old English economy awaits the arrival of a new moment which will clothe this economic necessity in political reality.

APPENDIX

VOLUME I

Chapter I, *pp 1–3*

"Our soil is not enriched by the usual methods of cultivation, but impoverished. By the normal processes of our farming, our mining, and our lumbering we create a desert" (recent U S. National Resources Committee Report). "The Federal Government hopes to restore the natural conditions which individual enterprise has blindly destroyed in the past" (*The Times*, New York Correspondent, July 31st, 1936). "Alternate droughts and floods . . . have been made increasingly destructive by the lack of foresight with which the forest wealth and the fertility of the soil have been, and continue to be, exploited under the régime of rugged individualism. Over-cropping, over-cultivation, over-stocking, the reckless destruction of timber—all this deprives the soil of its protective covering and of its water-holding capacity . . . Any action, indeed, would have to break away from the current American political philosophy with its insistence upon the supreme rights of private property. The land was the farmer's own, for him to use or abuse or to destroy if he thought fit, without anyone else having a right to interfere on the pretext that national interests were being imperilled" (*The Times*, leading article, June 4th, 1937, commenting on President Roosevelt's Soil Conservation scheme). In May, 1935, a distinguished American engineer said that "as matters now stand, and with a continuation of the manner in which soil, the mainstay of individual and collective life, is now being squandered, this country of ours has left to it less than 100 years of virile national existence". "Mr. Cooke did not believe that not more than 20 years remained in which to . . . change the attitude of mind of millions of Americans who believed that while they owned a given piece of land they might impair or destroy it without consideration of the effect on the total national estate" (*The Times*, Washington Correspondent, June 4th, 1937). President Roosevelt's action "implies a recognition that the con-

quest of nature upon lines of private enterprise has reached its limits. . . What President Roosevelt calls the 'prudent use of waters, water-power, soils, forests, and other resources', cannot be attained by a system that leaves everyone to be guided by his own vision of profit or advantage. . . . This means . . . restriction of the landowner's right in handling his property" (*The Observer*, leading article, June 6th, 1937) "It may well be questioned . . . whether property rights as we have known them could survive the resentments of another great depression" (U.S. Assistant Attorney-General, quoted, *The Times*, June 25th, 1937).

Chapter II, *pp. 4–28*

Pp. 4–5: The 1937 Irish Free State Constitution subjects private property to limitations

P. 5: In Germany, in 1936, the Government compelled farmers to deliver to the appropriate authorities specified quotas of wheat and rye. In January, 1937, the sale of wheat and rye, or products thereof, for fodder purposes was prohibited and stock-feeders had to report stocks. In July, 1937, all the wheat and rye harvest was requisitioned for milling A Decree of March, 1937, enforced strict supervision of agricultural undertakings farmers not conducting farms economically would be evicted or have trustees put in to run them. A law of January 27th, 1937, forbade purchase of over five acres of agricultural or forest land without Government sanction; in order to remove land from the arena of capitalist bargaining. A transaction can be refused if it is against the public interest.

Footnote 2: On November 29th, 1936, the President of Esthonia stated "that it was no longer possible to consider land as a form of property with which the owner could do as he liked".

Footnote 3: A measure of August, 1936, adumbrated partial nationalisation of the French arms (including aircraft) industry. In October, 1936, the Italian Government controlled 1,200 factories devoted to military purposes. In March, 1936, Signor Mussolini declared that almost all industrial activity nowadays came within the needs of national defence; and that large-scale industry, working directly or indirectly for it, would be organised in large units as key industries, with a special character within the orbit of the State, and under special State supervision. Through the "I R I." the Government holds much or all of the stock in such major industries; on December 6th, 1936, it reorganised the

merchant service and on April 17th, 1937, acquired important shipbuilding companies. On February 21st, 1937, a Marshal Smigly-Rydz plan for a totalitarian Poland declared that "the State must have the right to regulate production and especially to protect such branches of industry as have a national defence character". See, for Great Britain: Government acceptance of a motion calling for measures ensuring that the need for organisation of economic resources in peace or war time shall not be exploited by private interests (*Hansard*, March 25th, 1936); Sir P. Sassoon's statement that the new agreement with Imperial Airways provided against excessive profits (triennial review of operating costs, Government inspection of books and accounts, etc.) (*Hansard*, May 19th, 1936); Sir Thomas Inskip's statement on the survey of industrial forces, efforts to get practical priority (without powers of compulsory priority) for Government supplies and prevention of profiteering (for contracts, fixing the price with reference to a careful costings examination, with limitation of profit by agreement or arbitration) (*Hansard*, May 21st, 1936); Mr. Baldwin's statement (*Hansard*, November 12th, 1936); Mr. Neville Chamberlain's statement on control of prices, by checking costs, examination of books by Departmental Accountants and preparation of technical costs as a check (*Hansard*, February 25th, 1937); Sir P. Sassoon's statement on costs and prices in Air Ministry contracts (*Hansard*, March 15th, 1937); Sir J. Simon's statement that the Principal Supply Officers' Organisation of the Committee of Imperial Defence has the duty of studying conscription of engineering establishments capable of producing munitions in time of war, with other economic and financial questions incidental to the turnover of industry to war production (*Hansard*, March 23rd, 1937); Sir T. Inskip's statement that plans for much wider Government control of industry than in peace time must be prepared for a war emergency (*Hansard*, May 26th, 1937); Sir W. Beveridge's articles, *The Times*, February 22nd–24th, 1937, on "The Home Front in War", urging that the Government should not stand helplessly by, allowing individual interests under *laissez-faire* conditions to dominate the location of industry, etc., and *The Times* leading article thereon (February 24th, 1937) condemning the *laissez-faire* tradition in industrial affairs; *The Times*, March 30th, 1937, leading article's emphasis on the report of the recent Select Committee on Estimates, which urged scrutiny of contracts and conditions of production, and direct purchase and issue to contractors on behalf of the State of raw materials and manufactured goods required on a large scale, which would other-

wise be obtained under sub-contracts, Report of Royal Commission on Private Manufacture of and Trading in Arms (October 31st, 1936, Cmd. 5292), suggesting a Ministry to ensure full State control and profit limitation, check peace time prices and prepare for conscription of industry on the outbreak of war, and the Government White Paper thereon (May 6th, 1937, Cmd. 5451). On February 11th, 1937, the South African Government formed a War Industries Board to mobilise all industries in a war emergency.

P. 6: An Act of November 25th, 1936, extended the Mexican Government's right of expropriation of private property "for public or social utility reasons" and for the equitable distribution of wealth: ownership of property involves obligations and the State must intervene if it is not used in a social sense.

P 8: In July, 1936, Argentine oil imports were confined to the State Oilfields; which are acquiring (Government decision, December, 1936) the Standard Oil Company's rights and interests in Argentina—petroleum resources are legally national property. A Decree of March 2nd, 1937, gave the Mexican Government wide powers over oil resources: foreign interests were to be driven out. In May, 1936, the Bolivian Government adumbrated compulsory investment in Bolivian industries of part of the profits from exploiting national resources A Mexican Act of 1935 regulated strictly capital and reserves, investments, conduct of business and reinsurance of foreign insurance companies. On August 4th, 1936, the Bolivian Government stated that if owners left large estates uncultivated, ignoring their social function, these would revert to the State. In 1936, the Polish Government resumed expropriation of land and the Mexican Government broke up large areas for distribution among workmen

P. 9: The German Credit Law, December 5th, 1934, introducing strict control on uniform lines over all credit business, virtually reduced banks to mere executive organs of the Government and the Reichsbank; mainly confined to collecting surplus capital and directing it into Government channels. The official embargo on all private issues of bonds and shares bars the former substantial profits in private flotations. A Decree of November 11th, 1936, compelled owners of international securities dealt in on German Stock Exchanges to deposit them with foreign exchange banks; the Government becoming sole broker. By a Decree of February 28th, 1937, authorisation was required for purchase or sale of such securities.

Footnote: The Bank of Canada Act, June 21st, 1936, ensured

Government control of the Central Bank's stock and directorate On September 12th, 1936, the Government acquired shares to get a majority ownership It appointed six directors, each with two votes. P *243* gives details of the Reserve Bank of New Zealand Act An Act of July 24th, 1936, ensured Government control of the Bank of France instead of the "200 families" (who, as the largest shareholders, had elected the governing Council of Regents for all the other shareholders)

P *10:* On September 24th, 1934, the German Government initiated State regulation of all imports, adjusted to foreign exchange available from the proceeds of exports A general control of foreign exchange had operated since 1932 Quotas were allocated in June, 1934. This further regulation made permits, granted by supervision boards, necessary for imports of all commodities. An important place was occupied by clearing agreements (with 15 countries) under these regulations. Dr. Schacht's New Plan "brought to a very high pitch the degree of Government control over all foreign trade and the Government could direct purchase and sale to whatever countries or commodities were of most service at the time to the national interest" (Dept. of Overseas Trade, *Report on Economic Conditions in Germany to March, 1936*). On January 8th, 1937, Japan introduced exchange control and official control of all import trade, to check speculation. In May, 1936, China instituted Government control of imports: barter trade was envisaged. "Gold movements have practically ceased to be a function of private arbitrage and are now merely complementary to the alterations in exchange rates which the various funds allow" (Messrs. Mocatta & Goldschmid, annual bullion circular, reviewing events in 1936) A French measure of June 23rd, 1936, compelled the declaration of balances held abroad within two months, on penalty of confiscation. Official inspection of all financial institutions' books was authorised. An Act of October 2nd, 1936, created an Exchange Equalisation Fund, prohibited all dealings in and export of gold save with the Bank of France's consent, compelled the sale of all gold in private hands to the Bank of France before November 1st, 1936, at the price ruling on September 25th, 1936 (thus excluding private profits on gold revaluation), provided that details of all foreign exchange dealings transacted between 20th and 26th September should be sent to the Ministry of Finance within 14 days and suppressed all illegitimate price increases due to devaluation A new Exchange Equalisation Fund was decreed, July 1st, 1937, and a Law of June 30th, 1937, gave the Government full power

to decree measures to prevent attacks on the State's credit, defeat speculation and control prices The Belgian Exchange Equalisation Fund was abolished in March, 1936. In 1935, the Belgian National Bank had to give the State its profits on revaluation of its gold reserve, for use for credit and investment purposes. In August, 1936, Greece instituted strict Government control of export of foreign exchange. On September 28th, 1936, the Netherlands Prime Minister announced the formation of an Exchange Equalisation Fund and prohibition of export of gold. Switzerland also created an Exchange Equalisation Fund. On June 25th, 1937, the British Chancellor of the Exchequer announced that the resources of the Exchange Equalisation Fund, originally £150 million in 1932 and increased to £350 million in 1933, would be increased to £550 million.

P. 11, Footnote On March 16th, 1937, the British Government indicated that the Foreign Transactions Advisory Committee felt that the embargo on foreign lending should be tightened. See also the statement of the Financial Secretary to the Treasury (*Hansard*, March 23rd, 1937).

P. 12: In January, 1937, the French Government was planning nationalisation of "Air-France".

P. 13: A New Zealand Act of 1936 instituted complete Government control of broadcasting

Pp 13–14: Under regulations of December 4th, 1936, the Czechoslovak Government must authorise the opening of new factories, expansion of production and installation of new machinery in the clothing industry. In March, 1936, the French Government prohibited the opening of new businesses in manufacture or retailing of boots and shoes or extensions of businesses without sanction. A German Act of 1933 authorised Government limitation of investment in cartellised or non-cartellised industries: by 1935–6, 30 industries were affected thus. In January, 1937, in Italy, the power of regulating the opening or enlarging of factories was transferred to the Corporations: it would revert to a smaller committee in an emergency. A *Times* correspondent (March 25th, 1937) discusses State control of the location of industry in Great Britain. A French Act of August 15th, 1936, organised wheat production on rational lines, guaranteed farmers a remunerative price, and created a State import and export monopoly in wheat and flour and a National Wheat Board. See also the *Report of the Director*, I L.O., 1936 (pp. 57–8), for developments in State control of agricultural production and sale in Denmark, Netherlands, Switzerland, Czechoslovakia, Argen-

tina, Brazil, France (compensation for destruction of vineyards, failing which compulsory destruction), Colombia and Cuba. A Decree of June 25th, 1937, instituted strict Government control of production, distribution and marketing of all Mexican foodstuffs (see pp. 502–3), and a Regulating Board for wheat and wheat flour was created in Mexico, June 29th, 1937 (see p. 492)

Pp. 15–16: See *International Labour Review*, May, 1937, "The Italian Corporations at Work", by Odon Por, and Signor Mussolini's speech, at Milan, in 1934, in which he insisted that the State must control and direct science by distributing wealth so as to abolish want. Fascist measures to ensure State sovereignty in the sphere of finance and credit are now inspired by the Act of March 12th, 1936. "Credit operations and the collection of savings from the public in any form whatsoever are functions of public interest." In March, 1936, the Ministry of Agriculture controlled all grain. On June 3rd, 1936, the Government instituted a totalitarian monopoly of accumulation of production and import of grain for sale ("National Stores for Collective Sale"), to ensure a stable price. All grain imports would be through a national organisation. A Law of July 4th, 1936, enforced State supervision of all private enterprise in Italian East Africa On October 5th, 1936, the Government instituted a forced loan on real estate, stricter price control, stationary rents for two years and a special tax on distributed dividends above 6 per cent (replacing a 6 per cent maximum distribution in commercial firms). See also *The Times*, March 16th, 1937, "The Corporative State", by E. Barker; and the appointment, November 19th, 1936, of the Commission to draft plans for a Chamber of Fascios and Corporations, supplanting the Chamber of Deputies, centralising political control of economic problems and abolishing political and economic Liberalism and *laissez-faire*

Pp. 16–17: "In the National-Socialist State all economic activity must serve the interests of the community. Business interests in Germany must, therefore, regard themselves as subordinate to the general policy pursued by the State . . Common weal before private interests" (Dept of Overseas Trade, op. cit.). "All property, capital and industrial, as well as land, does not belong to its nominal owners, but is held and exploited by them in trust for the community. It must be used under the State's guidance to the best advantage of the nation, and if it is not it must be taken back and entrusted to someone else" (*The Times*, Berlin Correspondent, December 22nd, 1936). The latter emphasises the socialistic aspects of General Goering's appointment

to supervise the four-year raw materials' self-sufficiency plan. He characterises the German economic régime as "war-time control economy without a war . . A whole semi-communistic or collectivist theory has been advanced . . " This plan adumbrated State control and planning of all branches of the economic system, output, prices, wages, hours, working conditions, the employer, still an administrative figure-head, having neither initiative nor ultimate authority. Its objective was State intervention to eliminate booms and slumps, isolation of the German economic structure from price and financial movements abroad, and the conducting of economic experiments A Circular of October 16th, 1936, to the Courts threatened "draconic measures" against profiteering On November 13th, 1936, the Price Commissioner said that he would plan the whole price structure, including intervention at every stage of production and distribution, of industrial and agricultural products, as well as in retail prices, to help the weaker classes On December 18th, 1936, General Goering said that liberalistic economic ideas had no validity in National-Socialist Germany the economic system existed to fulfil the policy laid down by the State. A Law of December 29th, 1936, prohibited retention of profits made out of devaluation of foreign currencies when repaying capital or interest on foreign debts: a kind of capital levy An Order of August 12th, 1937, controlled margins charged for costs and profits by traders in imported goods (agricultural and industrial)· only the export price plus such charges for cost and profit as are "justified from the national economic point of view" may be demanded, promised or guaranteed. The Price Control Department will fix charges. On January 15th, 1937, the Chief, under General Goering, of the Office for German Raw and Industrial Materials, said that the State's leadership could not allow itself to be influenced or restricted in carrying out its duties by "economic or financial theories which neither have been nor can be proved". "Neglect and delay are worse than mistakes in choice of methods". A Law of January 27th, 1937, increased management's powers at the expense of shareholders and provided that dividends must bear suitable relationship to the money spent by a company on employees' social welfare. On January 31st, 1937, Herr Hitler said: "I was determined right from the beginning to exterminate such false conceptions as that which holds that economics may carry on an unrestricted and unsupervised life apart from the State. To-day there can no longer be a free business life"; and, on February 20th, 1937, he warned industrialists that they must

carry out Government orders or cease to exist as private enterprise. On January 16th, 1937, fats were rationed.

P. 17: See also *The Times*, July 14th, 1936, Tokyo Correspondent's article describing the Showa Restorationists' and War Minister's attack on *laissez-faire*, and faith in State control of economic machinery; the new national policies of nationalisation of electric power, etc., were approved, August 25th, 1936.

P. 18: Amendments to the Turkish Constitution, February 5th, 1937, provided for "étatism" (State ownership or control of the principal means of communication, industries, mines and public utility services) and for expropriation of large rural properties for distribution among peasants. "The State now appears as a third and immeasurably powerful factor in economic life, compelling private interests to justify themselves by the standards of common justice and the public good" (*International Labour Review*, June, 1937, "The New Turkish Labour Code", by O. Weigert, p. 772). The New Zealand Primary Products Marketing Act, July, 1936, introduced Government ownership and marketing of dairy produce exports with payment of a guaranteed price to the producer. See also Norwegian Government Bill, March 20th, 1936, amending the Trust Act, 1926, forcing private enterprise to fit into an organisation of the community resting on social principles.

P. 19: On June 3rd, 1937, President Roosevelt proposed a national plan of seven regional bodies to fight flood and drought under, eventually, a National Planning Board. On May 29th, 1936, the Senate passed a Commodity Exchange Control Bill, broadening Federal regulatory powers over futures exchanges, covering, *inter alia*, cotton, wheat, maize, oats, barley, rye, flaxseed: the Commodity Futures Commission could limit futures trading to stop excessive speculation.

P. 22: French Government price control was developed during 1935–6. On October 2nd, 1936, the Government got full power to limit prices by decree till the end of the year. See also p. 501. In 1935, the Belgian Government began a scheme of definite economic planning in sharp contrast to the former free economic system of economic Liberalism.

P. 23: On July 12th, 1936, the Bolivian Government decreed obligatory work for all men; and in September, 1936, Rumania announced compulsory labour on public works' schemes for men, 18–21 years of age. In Germany, the Women's Labour Service is expected to be placed on a compulsory basis eventually.

Pp. 24–5: See also President Roosevelt's speech accepting the Democratic nomination, June 28th, 1936, attacking "economic

royalists" ("We seek to take away their power"); and his second inaugural address, January 20th, 1937· "We are beginning to abandon our tolerance of abuse of power by those who betray for profit the elementary decencies of life. . . . We . . . need to find through Government an instrument of our united purpose to solve for the individual the ever-rising problems of a complex civilisation. . . . We must find practical controls over blind economic forces and blindly selfish men. . . . Heedless self-interest is not only bad morals but bad economics." On April 28th, 1937, the President of the National Industrial Conference Board told the annual meeting of the U.S. Chamber of Commerce that a "revolution" had taken place, with which the leaders of business management "could either co-operate or be liquidated". "One American student says, 'In the U S industrial freeholding is the foundation on which the whole social order has been established and built up . . . New forces are breaking through this "cake of custom" ' " (*The Times*, Washington Correspondent, May 25th, 1937).

Pp. 26–8· "When capitalism, towards the close of the nineteenth century, abandoned free economy, sought the State's protection of tariff barriers, and formed trusts and cartels, the capitalistic epoch was virtually ended" (General Metaxas, Greek Prime Minister, September 8th, 1936). "*Laissez-faire* ceases to have any meaning to a community whose institutions are already to a large extent socialised, and freedom of competition, as postulated by the old economists, is a thing of the past" (Sir Chas. Addis, addressing the American Club, Paris, on "The New Economics", *The Times*, March 19th, 1937). In the *Quarterly Review*, July, 1937, Sir C. Addis, in an article, "The New Monetary Technique", says that there is no department of our industrial life into which Government interference does not enter, and scarcely an article on the post-war breakfast table which has not been regimented by some Government Department; and that we have passed from a natural to a planned economy which sometimes has proved superior to the former. "The burning down of the Crystal Palace . symbolised the final disappearance of Victorianism" (*The Times*, "Review of the Year", January 1st, 1937).

Chapter IV, *pp. 99–119*

Pp 100–1: In September, 1936, the German Government began a survey of the distribution of agricultural land with a

view to developing its land settlement and reclamation policy, and Poland resumed land expropriation and distribution to peasants A measure of 1935–6 promoted further agrarian reform in Hungary. The new Turkish Constitution permits expropriation of land for distribution to peasants The Bolivian Government has distributed large areas of land for colonisation and small holdings. Land expropriation, under the 1917 Constitution and complementary Agrarian Code, 1934, for distribution to the landless rural population, has occurred on a large scale in Mexico· see *International Labour Review*, July and August, 1937, "The Agrarian Problem in Mexico", by E. Munguía. The political situation has complicated the position in Spain. See p. 474, regarding restrictions on purchase of agricultural or forest land in Germany.

P. 105: See accounts of State intervention in *The Marketing of Australian and New Zealand Primary Products*, by W. M. Smith, and *Daily Herald*, January 12th–15th, 1937, "New Zealand Shows the Way", by J. Morgan See also: pp. 474, 491 and 479, concerning intervention in Germany, France and Italy; and pp. 502–3 and 492 regarding Mexican Government control of production and marketing of foodstuffs and regulation of wheat and wheat flour

P. 106: In July, 1937, the Canadian Government introduced a big scheme for reclaiming arid areas. Since 1933, the South African Government has operated an important anti-erosion scheme. In November, 1936, the French Government set aside sums for land reclamation The Greek Government is operating a ten-year land reclamation scheme In August, 1936, the Japanese Government planned a £4 million land reclamation scheme in Tokyo Bay See *The Times*, August 10th, 27th, 29th, and December 16th, 1936 (Elspeth Huxley's article), January 29th, February 4th, 11th, 13th, 19th, and June 4th, 1937, for details of the Resettlement Administration, Great Plains Drought Area Committee and National Resources Committee large-scale activities in fighting drought, flood control, prevention of soil erosion, channelling of rivers, reafforestation and development of natural resources in the U S

P. 108: See Sir A Gridley, M P 's article, *The Times*, September 1st, 1936, and the British Government's announcement (March 3rd, 1937) of its adoption in principle of the recommendations of the McGowan Committee's Report on Electricity Distribution, June 26th, 1936, for national reorganisation of electricity supply On June 18th, 1937, the Victorian Electricity

Commission announced an £8¼ million scheme. In December, 1936, the French Government stated its intention to nationalise the sources of electric energy. On September 9th, 1936, Italy announced expenditure of £20 million on electrification of State railways. A U S. Act of May 20th, 1936, created a Rural Electrification Administration with a ten-year plan.

P. 109: In September, 1936, Japan began its nationalisation of electric power production and transmission. On May 18th, 1937, the Uruguay Government inaugurated a huge River Negro scheme for electrification of the whole country. The Hume reservoir section of the £15 million Murray River irrigation and conservation scheme (see p. 215) was opened on November 21st, 1936 The scheme will ensure the productivity of hundreds of thousands of acres of land, increase irrigable land by 1 million acres, benefit fruit-growing, dairy-farming and cattle-rearing and generate electricity. The Mexican Government has undertaken nine large irrigation systems with land reform. The Mysore Public Works' Department's highly-developed irrigation system, covering over 1 million acres, has allowed cultivation of much barren land· there are huge State electric power schemes (e g Cauvery and Krishnara-jasagara) benefiting the countryside.

P. 110: In June, 1937, the Mexican Government decided to expropriate the National Railways of Mexico and to reorganise the railway system under a Federal Department See *The Times*, "India Number", March 23rd, 1937, p. xxi, "History in Railways", by the Chief Commissioner of Railways, Government of India, for the latest account of State intervention in Indian railways. In December, 1936, the Argentine Government asked Congress to buy the Cordoba Central Railway, to inaugurate a policy of purchase of all private railways (and essential public services) under State control. A Decree of August 31st, 1937, nationalised the whole French railway system (see p. 495).

P. 116· The U S Banking Act of August 23rd, 1935, was an important modification of the 1913 Federal Reserve Act.

Pp. 117–18: See pp 231–2 and Odon Por, op. cit., for an account of the development of Italian Government control of the banking, financial and credit system, under the March, 1936, Act.

See *International Labour Review*, June, 1936, "The New Economic Policy in Belgium", by A. Braunthal, for a description of the State Mortgage Credit Institute and State control of the mortgage credit system, the Rediscount and Guarantee Institute and other measures to control the Belgian financial and credit system. See the reference to the Bank of Canada Act, pp. 476–7.

A New Zealand Act of June, 1936, converted the Mortgage Corporation to State ownership with enlarged powers of borrowing and lending It is intended to merge the State Advances Department, established many years ago with first mortgages on much land, with this Corporation See the reference to the Bank of France, p 501. On June 9th, 1937, a special subcommittee of the French Chamber of Deputies decided in favour of reorganisation and supervision of banks through a Permanent Banking Committee, with a State majority; a professional Order of French Bankers to watch over members' honour; and a provision that no new banks be launched and no merger between existing banks allowed without this Committee's approval. The Blum Government sought to go farther in nationalisation and control of the banking system, control of the Bank of France was found to be insufficient Turkey's five-year plans are being developed by State ownership and control of industry through a State-controlled banking system For references to Government control of exchange operations in France and other countries see pp 477–8

P. 119: See *The Times*, July 31st, August 8th, 14th and 31st, September 3rd and October 3rd, 1936, and January 1st and 8th, March 2nd, 15th and 25th, April 1st and June 15th, 1937, for details of steps taken by the Alberta Government to elaborate a complete Social Credit Plan on the basis of a covenant signed by citizens to accept "Alberta Credit" in payments due to them and to co-operate in facilitating its introduction as a medium of exchange. The Act of September 2nd, 1936, Credit House Act, provided for an entire system of branch banks to handle monthly credit dividends, with provision for special loans to retailers, manufacturers and producers. See also the Act of August 6th, 1937, designed to make Provincial charter banks instruments to finance Social Credit operations under Government control (under a Social Credit Board)—see *The Times*, August 6th and 7th, 1937.

Chapter VI, *pp 125–73*

P. 126, Footnote 1: Recently the Courts declared the covering legislation on this Alberta default to be *ultra vires*.

Pp. 132–3(l) The Saskatchewan (Canada) Government reduced interest on mortgages on drought-stricken farms, September 28th, 1936. On October 5th, 1936, the Italian Government made rents stationary for two years. See also New Zealand Mortgagors' and Lessees' Rehabilitation Act, 1936; and Alberta Reduc-

tion and Settlement of Debts Act, August, 1936, limiting interest on all private debts to 5 per cent and reducing the principal of debts contracted before 1932 On June 6th, 1937, the Provincial Appeal Court declared this Act invalid; the question has been deferred pending Major Douglas's advice

Pp 134–5 (n)· On January 29th, 1937, the Canadian Government announced legislation to allow debtors with obligations covered by Canadian laws and containing the gold clause, to discharge them by paying their face value in legal tender

(*n*) (*ii*). See also *The Times*, May 29th, 1936.

P. 136 (n) (iii): On January 28th, 1937, the House of Lords allowed the Crown appeal against the Court of Appeal decision reversing Mr Justice Branson's decision (see *The Times*, November 3rd, 1936, and March 16th, 1937), although in 1934 the House of Lords held, in the case of Feist *v* Société Intercommunale Belge d'Electricité, that the gold clause was valid under English law. Following the former House of Lords' decision, the Swedish High Court of Justice, January 30th, 1937, held that the gold clause in the Swedish 1924 dollar loan was invalid.

Pp 136–9 (n) (iv): On February 16th, 1937, the Senate accepted an amendment to the gold clause in the recent Devaluation Act, providing that foreign loans contracted before devaluation which were not properly stipulated as repayable in gold francs, would be repayable in francs at the current gold value.

Pp. 139–41 (n) (v): The U S. Supreme Court upheld (March 1st, 1937) the Government's abrogation of gold contracts as applying to bullion as well as coin. On May 25th, 1936, the Supreme Court rejected a Swiss company's appeal against Government seizure of $\$1\frac{1}{4}$m. in America, under anti-gold hoarding legislation: this would have been worth $2,100,000 if exported to Switzerland.

P. 142 (n) (vi): See subsequent reports of the Council of Foreign Bondholders and League Loans Committee for later figures and developments.

P. 145 (q)· Under The Hague Agreement, January, 1930, the Versailles Powers undertook not to exercise their rights of confiscation of goods, rights and interests of German nationals and companies which had not been liquidated before September 1st, 1929: special Agreements were to be made between Germany and each participating Government—see Portuguese-German Agreement, June, 1936.

P. 146 (r): See p. 480 regarding the German Government's prohibition of retention of private profit on devaluation and prevention of unfair enrichment of individuals through circum-

stances disadvantageous to the community as a whole Under the Law of October 2nd, 1936, the French Government sequestrated private profits on gold revaluation.

P. 147 (a) (2): Private banks lost a large part of their exchange business through the New Zealand Government's Marketing Act, July, 1936.

P. 152 (5): The U.S Tennessee Valley Authority encourages municipalities in rural Georgia to buy out existing electricity utility companies at a price representing real investment, and not paper debt including much watered common stock —failing acceptance local authorities are encouraged to build their own plants.

P 156 (9), Footnote 1: French Arms Nationalisation Law, 1936· compensation fixed by Decree with due regard to the price of shares and the amount of dividends earned in the previous seven years; Mexican Expropriation Act, November 25th, 1936: assessed taxable value of property, New Zealand Reserve Bank Act, April, 1936 market price on the day of the previous Election

P 160 (16), Footnote 3: Under Mexican land expropriation laws, in October, 1936, British companies were awarded Government bonds said to be worth less than 10 per cent of their face value· the assessed value of the property for taxation purposes was £100,000 at the current rate of exchange, against book value representing original cost, based on the rate of exchange then, said to be £½ million; New Zealand Reserve Bank Act· cash or non-negotiable Government stock; New Zealand State Advances Corporation Act Mortgage Corporation shareholders received cash or bonds, plus a premium.

Pp 163–4 (17) (a) Coal Royalties Nationalisation: On April 26th, 1937, the Government decided to accept the award of the Tribunal, appointed to determine the value based on sale in the open market by a willing seller, of £66,450,000—fifteen years' purchase of the agreed annual net royalty income, 1928–34; the owners expected £112 millions (they had agreed to accept the Tribunal's decision, though the Government was not bound by it).

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P. 185 (2): Cf. "The salvation of the people is not a problem of finance, but exclusively of the employment and guidance of the existing labour on the one hand and of the exploitation of the soil and of mineral resources on the other. The State can do every-

thing but one thing—namely, to allow 12,000,000 working hours to go by unused in one year. It is production which covers the currency, not a bank or a vault full of gold. If I increase this production, I increase the income" (Herr Hitler, *The Times*, February 1st, 1937), "The present gold policy is another cause of the apparent impossibility of sending the surplus of one rich country to another in need of it, and not gold but the products of labour must serve as a means of exchange" (Sir Henri Deterding, *The Times*, December 30th, 1936), "The gold standard can no longer be relied upon to secure economic and social stability. . . . Faith has been effectually destroyed in blind adherence to the system which made national currencies dependent on gold movements" (H B Butler, *Report of the Director*, *I L.O.*, *1937*, p. 13); "Recent experience has shown that gold does not possess all the merits claimed for it in bygone days . . . production of gold consumes a large amount of human energy and wealth . . . 245 millions sterling per annum is a lot of money to pay for anything unless you really need it . ." (Rt. Hon Sir Auckland Geddes, *The Times*, June 8th, 1937); Rt Hon. R McKenna's comments on a managed currency and exchange, as opposed to the old gold standard and "the blind force of gold movements" (*The Times*, January 27th, 1937), and "Credit is to the national economy what blood is to the organism . . . That domain for a thousand reasons belongs to the State" (Signor Mussolini, March 23rd, 1936).

Pp 190–204 (1)· Exchange Equalisation Funds, established, in Great Britain under Treasury administration (in 1932), U.S.A., France, Netherlands, Switzerland and other countries, are really in this category

P. 192: Canada: Management of harbours was transferred to the central authority in 1936.

Pp 192–3. India· For the latest facts about railway management see *The Times*, "India Number", February 23rd, 1937, and "The Report of the Wedgwood Committee", June 27th, 1937; and, in regard to Mysore State concerns, see *The Times*, "India Number", February 23rd, 1937, p. iii.

Pp. 193–4· New Zealand: Under the Primary Products Marketing Act, 1936, a State Department buys all butter and cheese for export from creameries (rationalised under Government control), at a guaranteed standard price and markets them (with the aid of the Reserve Bank)· wholesalers' speculation in London has been eliminated Extension to all primary products is envisaged. Regarding the Mortgage Corporation see p. 485. An

Act of June, 1936, transferred control of broadcasting from a Board to the Prime Minister, the Government is to own commercial stations

P. 194: Belgium Nationalisation of the arms' industry was announced, September 8th, 1936

Pp 194–5· France: The 1936 arms' nationalisation measure provided for complete nationalisation of big firms manufacturing mainly arms and ammunition, and control of others by a State majority shareholding or by inspectors.

P 195: Germany· see pp. 491–2 regarding State railways

P. 199: Japan· In September, 1936, the Government announced a monopoly of the sale of commercial alcohol and the building of many alcohol-producing factories. Mexico On June 24th, 1937, the Government decided to expropriate the National Railways and administer them by a new Federal Department. United States: See President Roosevelt's plan (January, 1937) for remoulding administrative machinery, envisaging transfer to a Civil Service basis of various emergency agencies for industrial and economic services China· See the Government plan (March, 1936) for unification of State enterprises Egypt Nationalisation of the industry for producing munitions and fertilisers was announced in March, 1937.

Pp. 200–2: Public Works· The U S National Resources Committee (created, June 7th, 1935, to co-operate with Federal and local authorities in planning public works) is preparing an integrated, regular, six-year programme under the direction of forty-six State Planning Boards, in co-operation with the Public Works' Administration and Works' Progress Administration. On February 3rd, 1937, President Roosevelt proposed a "long-range plan" of present and future public works as a form of national defence organisation against depression, floods, etc. (based on the above Committee's report listing a £550 million six-year plan of such works, as a reservoir, in two parts, urgent and less urgent, as a first instalment of the £21,000 million twenty-year plan). See the June, 1937, Bill for spending £300 million by the W P.A. on relief public works and *International Labour Review*, June, 1937, "Public Works in the United States of America," by Harold Ickes, Secretary of the U.S. Department of the Interior and Administrator of the Federal Emergency Administration of Public Works (created under the National Industrial Recovery Act, 1933), describing the first large-scale public works' programme in history. Belgium: Later the three-year plan rose to 5,617 million francs, financed partly by the Gold Revaluation Fund

France· To July, 1936, 4,500 million francs of expenditure were involved in the "Marquet" plan. An Act of August 18th, 1936, provided for additional public works' expenditure of £267 million over the next three years, of which one-fifth would be contracted for and one-twentieth spent by the end of 1936 The Chautemps Government maintained the "Marquet" plan, but slowed down the latter Greece. In 1936–7 the Government framed a ten-year plan of public works (£14 million). Australia: On July 16th, 1937, a 1937–8 £16 million plan of States' public works was approved. Italy: A Law of June 21st, 1937, authorised expenditure of over £160 million on a six-year plan in Italian East Africa. Poland: The Employment Fund spent 326 million zlotys, 1933–7 In June, 1936, the Government announced expenditure of 1,800 million zlotys (£72 million), 1936–40; which was greatly increased in 1937 (£32 million for 1937). the creation of a new central economic region was projected, for purposes of industrialisation and national defence, and the State would control industries working for the latter. I.L O.: Draft Recommendations on planning of national and international public works were adopted at the 1937 Conference See also Sir Robert Horne's suggestion (April 19th, 1937) to postpone public works till the completion of the rearmament programme, and Mr. Neville Chamberlain's statement (July 8th, 1937) that the British Government is studying public works to be used to stop a slump.

Pp 204–15: Great Britain. On June 29th, 1936, the Government announced (White Paper, Cmd. 5207) its decisions on the Ullswater Report on the B B.C , which were embodied in the new Charter, extended for ten years from December 31st, 1936, as recommended the Governors were increased to seven, the functions of the Postmaster-General were continued; Estimates were separated from Post Office Estimates; television was to be broadcast by the B B C., and the existing system of relay exchanges would continue for three years, during which Post Office experiments would be made in distributing broadcast programmes by wire. The Labour Party plan for administering a socialised mining industry by a British Coal Corporation, with a Coal Marketing Board and a Fuel Consumers' Council and regional sub-Boards, was published, August 6th, 1936. See the Report of the McGowan Committee on Electricity Distribution (June 26th, 1937), which advocated compulsory reorganisation, providing for the possibility of ultimate public ownership of all undertakings, with retention and utilisation, where possible, of the larger and more efficient existing undertakings (public and companies), and

absorption by them of the smaller and less efficient concerns, the consolidated concerns being public utility undertakings for fifty years, under certain statutory restrictions, and delimitation (by the Electricity Commissioners) of the country into areas under temporary district commissioners who should submit reorganisation schemes for the areas (the London and Home Counties' Electricity District could form a delimited area). See also the "P.E.P." report on the Supply of Electricity in Great Britain (December, 1936); the Government's announcement, March 3rd, 1937, of its decision in principle to accept the McGowan Report (consolidated schemes, however, would be prepared by the Electricity Commissioners); Memorandum on Electricity Distribution circulated by the Ministry of Transport to electricity undertakings outlining details of such Government action (*The Times*, June 8th, 1937); Ninth Annual Report of the Central Electricity Board, March, 1937; and Fifteenth Annual Report of the Electricity Commissioners.

Pp. 215–16: Canada: The new Board of seven Directors of the National Railways (including one employees' nominee) took control on October 1st, 1936 An Act of May 1st, 1937, reorganised the accounts of, and Government financial interests in the National Railways. On May 26th, 1936, a Parliamentary Committee of investigation advised complete nationalisation of broadcasting and suggested the B B.C. as a model.

P. 217: India: See *The Times*, "India Number", February 23rd, 1937, for the effect of the 1935 Government of India Act and the appointment of the Federal Railway Authority and Chief Railway Commissioner New Zealand An Act of June, 1936, created the State Advances Corporation, transferring the Mortgage Corporation to full State ownership by purchase of private shares.

P. 218: South Africa: A Broadcasting Corporation was established, August 1st, 1936.

P. 221: France: The Wheat Act of August, 1936, set up a National Wheat Office, supervised by a Council representing producers, consumers, traders, millers and bakers, under the Ministers of Agriculture and Finance, to organise wheat production rationally, guarantee a remunerative price for products to farmers, monopolise wheat and flour imports and exports, fix prices of wheat, flour and bread and form farmers' co-operative societies to buy wheat from producers.

Pp. 221–6: Germany: The German Railways Law, February 12th, 1937, proclaimed full German sovereignty over the railways and decreed administration by the Reich Minister of Communi-

cations aided by an advisory Board (of representatives of preference shareholders, under the Minister's chairmanship). The German Public Works Company was wound up, March 17th, 1937.

Pp 227–32: Italy: See p 479 regarding the establishment of the grain monopoly On June 23rd, 1937, the "I R I." was reorganised and given permanent functions, and £11 million to take up shares in big industrial undertakings for national defence, development of autarchy, or agricultural and industrial development of Abyssinia It was authorised to form the Iron Finance Company (State-guaranteed capital, £9,700,000), to which "I.R I." shares in certain iron-working companies would be transferred.

P. 235 Turkey. Large textile, paper and rayon, and glass works were set up, as publicly-owned or subsidised concerns, under the five-year plans, and managed by State-controlled and supported banks. Argentina In January, 1937, the National Co-ordination of Transport Bill had passed the Chamber of Deputies and the Senate and awaited promulgation. See p 476 regarding the State Oilfields' purchase of the Standard Oil Company's Argentine interests (for about £9 million); there are State distributive concerns (with a monopoly in Buenos Aires). Mexico: A Decree of March 2nd, 1937, created the National Petroleum Corporation, a Government agency for managing all State oil industry business, production, acquisition, transport, refining and distribution of petroleum, natural gas and derivative products; controlled by the President through a Board nominated by him The Government got wide powers to regulate the interior market and exports In pursuance of the 1933 six-year Social and Economic Plan, on June 29th, 1937, the Mexican Government created a Regulating Board for wheat and wheat flour: to study the distribution of the wheat harvest, the population's consumption capacity for wheat flour and wheat bread and each region's wheat productivity, to regulate wheat distribution, to import wheat and sell it directly: and to constitute and store stocks, to stabilise prices The Board comprises three Government officials representing the Ministries of Finance, National Economy and Agriculture, and three producers' representatives It relies on a National Warehouse Corporation for domestic handling of wheat.

Pp. 235–40: United States: A Rural Electrification Administration was created, May 20th, 1936. A national scheme, with seven Regional Authorities (in addition to the Mississippi River Commission, and Tennessee and Columbia Valley Authorities), to combat floods, drought and soil erosion, and create a new economy

in stricken regions, under a National Planning Board when established, was proposed by the President, on February 10th, 1937, and June 3rd, 1937. In 1935 and 1936, the Resettlement Administration bought over 10 million acres of sub-marginal land for conversion into parks, wild life sanctuaries, etc, to stop soil erosion—at a total cost of over £12½ million It has transplanted human communities and is forming 134 "projects" or settlements of such people, at an outlay of £23 million; each of these is designed to be a self-supporting corporation, under a "project" manager. It makes grants and loans to farmers On August 9th, 1936, it announced purchase of 5 million acres of cultivated land in the Great Plains region for conversion into grazing land to stop soil erosion In February, 1937, a Special Committee advised the creation of an agency, under the Department of Agriculture, for buying farms, lands and buildings, financed by public funds, to contract to existing tenants for 40 years, to stop land speculation. On September 2nd, 1937, the Farm Security Administration was formed (under the Bankhead-Jones Farm Tenant Act), superseding the Resettlement Administration, to centralise the task of planning land utilisation and conservation. Loans will be made to tenant farmers to facilitate their ownership of farms, and farmers will receive rehabilitation loans for subsistence and improvement. With the Bureau of Agricultural Economics, a programme of land utilisation, including withdrawal from cultivation of sub-marginal land, will be developed See p. 496 regarding the "T.V.A". In February, 1937, New York City and the Federal Government were said to be co-operating in planning the establishment of an Atlantic seaplane base at New York. The Federal Government and New York City co-operated in building Triborough Bridge (costing £15 million; opened July 11th, 1936). The San Francisco-Oakland Bridge was built with the aid of the Reconstruction Finance Corporation and the State of California (cost, £15,400,000; opened November 12th, 1936). Panama Canal: The 1926 Agreements were not ratified. Further Agreements, signed in 1936, await ratification.

Pp. 241–2: Great Britain: On August 11th, 1936, Iraq Petroleum Company acquired a controlling interest in Mosul Oil Fields. Imperial Airways had 10 Directors in 1936. It owns all shares in three companies, and a controlling or part interest in others. Under the Air Navigation Act, 1936, the Government proposed to make a new agreement with Imperial Airways for fifteen years, in awarding a subsidy for new services. there would be new safeguards against excessive profits, a triennial review of

operating costs, and 50 per cent. of profits above the stipulated rate would go to the Government through its deferred shareholding In May, 1937, the company proposed to increase its capital to £5 million (whereof 975,000 £1 shares, Ordinary, and 25,000 Deferred); new shares to be issued subject to the Air Minister's approval The relations of Cable and Wireless with Empire Governments are being re-examined (see *The Times*, May 25th, 1937); see *Stock Exchange Year Book*, *1937*, for details of public powers, and also pp 267–8 In March, 1937, the Government proposed to allocate funds for the subscription of 25 per cent of the paid-up capital of site companies providing factories in Special and other Certified Areas

P. 243: Australia In April, 1937, the Commonwealth and New South Wales Governments agreed to participate with private capital in developing the Newnes' shale deposits, for petrol production. Canada See pp 476–7 regarding the Bank of Canada. On March 22nd, 1937, a Bill was introduced to form a company, "Trans-Canada Air Lines", with £1 million capital, underwritten and distributed by the National Railways, with the Minister of Transport's approval, to companies interested in aviation services (the Government having the right to acquire it at book value at any time); the Government to meet deficits till January 1st, 1940, by a cash subsidy, provide landing-fields, beacon lights, radio beams and weather service, and airports to be provided partly by municipalities and partly by the Government Almost every outlying community will be linked to both oceans by aeroplanes Irish Free State: On July 4th, 1936, a Government Bill was introduced to establish a company with the monopoly of future internal air services and give up to £½ million subsidies within five years; of the £1 million capital the Government will have a controlling interest, and can take all shares

Pp. 243–4: New Zealand: See p. 485 regarding the Mortgage Corporation: the new Corporation may hold shares in companies

P. 245: Czechoslovakia: On July 10th, 1936, the Government decided to form a new company to carry on the Czechoslovakian business of the former Austrian Phœnix General Life Insurance Company; in which all insurance companies operating in Czechoslovakia must, and the Government will participate.

Pp. 245–6: France: Under a 1936 measure the State may hold shares in arms' manufacturing companies. On October 16th, 1936, the Government announced nationalisation of all factories producing aircraft or aeroplane engines; four companies to be formed by the Air Ministry, to manufacture aeroplanes and sea-

planes, with the State having two-thirds of the capital and representation in directorates (together with representatives of technical staffs and workmen of each company). On June 19th, 1937, the Air Minister said that 250 million francs had been spent in acquiring a majority of shares in aircraft companies On January 26th, 1937, the Government announced nationalisation of "Air-France", by increasing its interest to get control. On June 28th, 1936, was announced the formation of "Société Aéronautique de l'Atlantique", to operate the Franco-American service, in which the State, "Air-France" and the "Cie. Gén Transatlantique" participate. By a decree of August 31st, 1937, the Government provided that the railways would be nationalised· reorganised and transformed into a single company ("Société Nationale des Chemins de Fer Français"), with a majority of shares (51 per cent) held by the State By January 1st, 1938, all independent companies will be merged with the existing State system in this new company The Company will pay the merging companies an annual sum equivalent to the statutory interest and guaranteed dividend due on railway stocks and bonds, and sinking fund charges; and give them shares, regulating the handling of them The Board of the new company, operating as from September 1st, 1937, comprises 33 directors, including 12 representatives each of the State and the private companies, and the Governor of the Bank of France, and the Vice-President of the State Government; and railway staffs are entitled to elect 4 representatives The managing director of the "Nord" railway was appointed managing director. The company's financial structure is independent of the State; but State help will be given, as necessary, during a transition period. Unless Parliament votes a supplementary estimate in the meantime, fares and freight rates must be raised within two months if receipts are inadequate. An accompanying decree set up a traffic council to eliminate redundant services, after consulting local authorities, aiming at co-ordinating road and rail traffic.

Pp. 246–51: Germany: On July 25th, 1937, the Government announced Reich intervention in the iron and steel industry. Reichswerke A G. was formed to develop extensive deposits of low-grade iron-ore: it has delegated the erection and operation of processing and smelting works to another company. Its Board comprises officials of various Ministries and one representative of private industry. The Reich will supply the original capital; and private capital will be contributed later Shares in the company will be given for mining rights and claims

Pp. 252–3: Italy: Through the "Institute for Industrial Recon-

struction" ("I.R.I "), the Government owns large blocks, and in some cases the majority of stock of leading groups of industries important for national defence, thus facilitating the Government's plan of special organisation of key industries. On December 6th, 1936, the mercantile marine was concentrated in four main shipping companies, in each of which "I R.I." would have a majority holding for six years: £11 million of new building would be undertaken. Under the ægis of "I.R.I ", the Maritime Finance Company, with State-guaranteed shares of nearly £10 million, was formed to finance this plan and take up shares in these companies, which the State continued to subsidise. On April 17th, 1937, "I.R I." took at least a 50 per cent holding for six years in three important shipbuilding companies, of at least £1 million capital each. On January 31st, 1937, the East African Mining Company, under the Ministry of Colonies, was formed, with State participation in its capital, to exploit mineral wealth in Abyssinia. See also pp 474–5 and 492.

Pp. 253–4 Netherlands: On May 24th, 1937, a Government Bill was introduced for merging the Banka and Billiton tin concerns in a company, of the capital of which (£6,100,000) the Government would hold 90 per cent of the shares.

P. 254. Norway: In 1936, Parliament approved a Government plan for a State Industrial Bank to grant loans to industrial undertakings, electrical power works and hotels, the State to own 51 per cent of the capital (10 million crowns), guarantee a 4·5 per cent dividend on privately-owned (by banks) shares, have the right to redeem the latter after ten years and guarantee bonds, issued for working capital up to five times the amount of basic capital, and appoint three of the five directors.

P 258: Argentina. The State took shares in the Argentine Transandine Railway. Chile: The State took shares in the Chilean Transandine Railway. Japan: In June, 1936, nationalisation of electricity was planned, through a State-controlled semi-Governmental company co-ordinating all generation and transmission plants. Mexico: See p. 489 in regard to the National Railways. Till March 2nd, 1937, the Government owned 51 per cent of stock of "Petroleos de Mexico", see p 492 United States: In September, 1936, the President conferred with public utility companies on a proposal to pool public and private resources, especially in the Tennessee Valley, on the British "grid" model—under "T V.A." domination. China: In August, 1936, the Government decided to form an Agricultural Credit Bureau, jointly with private interests.

Pp. 260–77· Great Britain. See also the provisions for a subsidy to secure minimum prices on milk used for manufacturing purposes: Milk Act, 1934, amended 1936, extended for twelve months by a measure of July, 1937, and the Report of the Milk Reorganisation Commission, November 27th, 1936 (No 44 in the series of Orange Books on agricultural marketing, published by the Ministry of Agriculture), proposing to superimpose on the existing marketing system a Government-appointed Permanent Milk Commission, to develop and control a national milk policy, based on an expanded liquid milk market, economical production and distribution, and fair remuneration for all sections of the industry, collaborate with producers' Boards and organisations representing other interests, fix producers' prices and buying prices and administer all public funds available for the industry (Sir John Orr advised the creation of a public corporation for these purposes). The Pigs and Bacon Marketing Boards have a Joint Policy Committee The Marketing Board organisation also applies to potatoes (March, 1934) A measure of July, 1937, proposed to raise the limit of "anticipated supply" under the Wheat Act (from 6 million to 8 million quarters) and to introduce a scheme of insurance against low prices in respect of oats and barley. In April, 1937, millers' and flour importers' liability to make quota payments was suspended: these were reimposed, September, 1937 Following cattle subsidy (£4 million per annum) arrangements and a Resolution for the imposition of a duty on imports of foreign chilled beef and veal, the 1937 Livestock Industry Bill (the House of Commons accepted the House of Lords' amendments, July 13th, 1937) proposed: regulation of meat imports—by an agreement that exports of beef to Britain for each of the next three years should not exceed recent levels—through producers' international co-operation (an International Beef Conference with a subsidiary Empire Beef Council, with Government-appointed producers' representatives—mutton and lamb to be exempt from the scheme till the end of 1937, import of these already being regulated by Statutes or agreement), failing which the Board of Trade was empowered to regulate imports, and improvement and better organisation of the industry, through a Livestock Commission (aided by an Advisory Committee representing all interests affected, to begin work, August 1st, 1937), responsible, under the Minister, for administering a subsidy of £5 million per annum (graded, to encourage quality production), reorganisation, area by area, of cattle markets (eliminating redundant markets, with compensation for interests adversely affected, and improving and re-equipping the remainder)

and supervision of three experimental schemes for central slaughtering of cattle (with avoidance of uneconomic slaughtering). The Air Navigation Bill was enacted in 1936. See the Maybury Committee's report (January 20th, 1937), on Government development of civil aviation; and pp. 475 and 493–4. See p. 478 in regard to the foreign loans embargo. The Sugar Industry (Reorganisation) Act was passed in 1936, and the British Sugar Corporation, Ltd, established. See also *The Times*, July 1st, 1936, "New Ventures in Economy: Sugar and Fish". The Coal Mines Bill was postponed till the autumn of 1936 (*Hansard*, May 28th, 1936) District and Central Coal Selling Schemes operated from August 1st, 1936. The former were of various types: Lancashire scheme (the central body disposing of all coal raised, distributing orders and pooling sales' profits), followed by Shropshire, Forest of Dean, South Staffs and Amalgamated Midland District (but, in this last case, with six selling agencies and a supervising authority to relate districts' prices to one another); and District Board control of owners' sales (prices, conditions and output—with payment into a pool for excess production, to provide compensation for cases where output is less than the share), in twelve districts, including Scotland, Northumberland, Durham and South Wales, with an independent Chairman for the Control Board in most districts The Coalowners' Central Council will review and co-ordinate, and has the power of initiative in co-ordinating district minimum prices and selling conditions; and will arbitrate (its decisions being binding). See *The Times*, June 15th and 23rd, August 15th and September 19th, 1936 (first annual statement, on the success of the Lancashire Central Selling Scheme), and January 29, 1937 (report of the owners' and men's plea to the Mines' Department for a subsidy for coal exports); *Hansard*, June 24th, 1936; Cmd. 5474, June 14th, 1937, Mines' Department's examination of the operation of coal-selling schemes; and the subsequent temporary suspension of the provisions for determination of trade shares in the districts with Central Control of Sales (under the 1930 Act, Pt. I)—not affecting the Lancashire type of scheme On April 26th, 1937, the Government announced acceptance of the Tribunal's award to royalty owners. See *Lancashire and the Future: the present position and prospects of the Cotton Industry:* a statement by the Joint Committee of Cotton Trade Organisations, June 7th, 1937, tracing, *inter alia*, the industry's relations with the State, and its weakness, through the number of individual units, conflicting sectional interests and separate functions of production and distribution. The Herring

Industry Act was passed on March 14th, 1935. The Government announced legislation on the White Fish Industry, on the principles of the Agricultural Marketing Acts: to enforce a producers' marketing scheme submitted by the British Trawler Owners' Federation, enabling a Board to regulate operations of fishing vessels at sea and landing of fish, and to create an impartial body to promote efficient organisation of the whole industry, supervising the producers' scheme and schemes for an improved, efficient distribution system approved by Ministers, and a joint council to consider matters of interest to the trade as a whole (*Hansard*, February 22nd, 1937). Food Supply in War-Time In May, 1936, Sir T. Inskip appointed Sir Wm Beveridge as Chairman of a Sub-Committee on Food Supplies for the Civil Population; and a Food (Defence Plans) Department of the Board of Trade has been set up (announced, November, 1936, and Supply Estimate moved in the House of Commons, February 22nd, 1937) The Report of the Import Duties Advisory Committee, July 6th, 1937, advocated that an independent body should supervise the iron and steel industry, in the general interest, and study the social consequences of its policy, planning developments systematically, with the aid of well-organised organisations affiliated to the British Iron and Steel Federation (which has been co-ordinating industrial and commercial policy through trade associations), and regulating prices: there must be a new joint co-operation between the organised industry and the State. On July 27th, 1937, the Government stated that the Import Duties Advisory Committee had agreed to continue the oversight of the industry (see *The Times*, August 13th, 1937, leading article calling for emulation of the recent State plan for this industry in Germany) In regard to State control of the location of industry, see: pp. 475 and 478; *The Times*, March 25th, 1937, "The Shifting of Industry Flaws in Policy"; and the appointment of a Royal Commission, July 7th, 1937. As regards public utilities, see the Report of the Joint Committee of the House of Commons and the House of Lords on Gas Prices, April 28th, 1937. The Special Areas Reconstruction (Agreement) Act was passed in 1936; and the Special Areas Reconstruction Association was formed, June 19th, 1936. See Final Report of the Commissioner for the Special Areas of England and Wales, November 10th, 1936, Cmd. 5303, advising control of the expansion of industry in Greater London and State provision of inducements to attract industries to the Special Areas, Government White Paper (Cmd. 5386, March 1st, 1937) announcing plans for Special and Distressed Areas: Special

Areas Act, 1934 (under which two Commissioners for England and Wales and Scotland were appointed and a Special Areas Fund of £2 million voted—increased by £3 million in 1936 and £3½ million in 1937), to continue till 1939, extended powers for Commissioners; new provisions for Special and other Certified Areas, e g Commissioners to let factories to tenants and contribute to income tax and rent of new concerns in Special Areas; Government subscription to the capital of site companies providing factories in Special and Certified Areas; and provision by the Government of £2 million for loans to new industries in Special and Certified Areas, and "The Second Industrial Survey of South Wales", 3 vols, March 7th, 1937, by H. A. Marquand and assistants

Pp. 278–81: Australia: A Judicial Committee of the Privy Council judgment, July 17th, 1936, declared unconstitutional the Federal Dried Fruits Acts and Regulations controlling prices and establishing a marketing system A Referendum, March 6th, 1937, to amend Section 92 of the Constitution, to give the Commonwealth power to control inter-State trade, failed to achieve this. A Federal Minister suggested an Export Shipping Control Board, on October 28th, 1936

Pp. 281–4: Canada· In January, 1937, the Judicial Committee of the Privy Council invalidated the Federal Natural Products Marketing Act (1934–5), establishing producers' Boards like those in Great Britain Various Boards (under Provincial legislation) controlling production and marketing of apples, milk, tobacco, shingles, beans and potatoes were not affected. The Wheat Board Bill became law, 5th July, 1935 In regard to the Bank of Canada and broadcasting, see pp. 476–7 and 491 respectively.

Pp 284–5· India: On May 29th, 1936, a Government-controlled Central Committee for Jute (similar to the Committee existing for cotton) was appointed A 1936 Motor Vehicles Bill adumbrated control of road, goods and passenger transport, following a Transport Advisory Council proposal.

Pp. 290–1: Belgium· On June 24th, 1936, the Prime Minister announced a special Government control over industries where free competition no longer existed (electricity supply, liquid fuel and fertiliser industries) In March, 1935, the Government helped the banks to the extent of a further milliard francs.

Pp. 291–4: Czechoslovakia· A Decree of July 9th, 1936, regulated textile combines.

Pp. 294–5: Denmark: On March 15th, 1937, the Government introduced a Bill to control prices, by a Council.

Pp. 295–9: France: An Act of July 24th, 1936, gave the Government control of the Bank of France: the Government would appoint the Governor and Vice-Governors; the General Council would comprise representatives (Government-appointed, sometimes after consulting organisations) of Ministries and financial departments, commerce, agriculture, industry, retailers, banking, shareholders, co-operative societies and trade unions, and the Bank's staff, and shareholders only had the right to appoint three Censors to ensure its observance of the Statutes A measure of July, 1936, regulated coal marketing, providing for· Ministerial fixing of prices of home and foreign coal after consulting a Mining Committee, and organisation of the coal market by the compulsory creation of coal buying or selling centres and compensation funds, between coal selling companies (subsidised). A statement, May 31st, 1937, indicated that a Government Bill was being prepared to introduce a revolutionary cartellisation of production, distribution and other services, industry by industry, supervised by "Cartel Syndics" (trustees) appointed by the Government, to cheapen costs by planned production: amalgamation, rationalisation and distribution of production under Government control; compulsorily in the case of industries vital for national defence; and with moral compulsion in that concerns staying outside could not compete with the larger combines, and, therefore, cartellised concerns would get priority in Government orders There would be a Central Statistical and Collection Office to centralise commercial claims between cartel members, and watch and technical committees, representing consumers, technical staffs and workers, to supervise the working of the plan Following the Laval Government's elaborate price control system (1935), an Act of August, 1936, created a National Committee to control illicit wholesale prices of prime necessities and Departmental Committees to control illicit retail prices; and an Act of October, 1936, permitted suppression by Decree of increases for which devaluation might be given as a cause. A Government Decree of July 2nd, 1937, forbade any increase in prices, wholesale and retail, of all goods and industrial and commercial services, beyond the rates on June 28th, 1937: with supervision by a central committee and a departmental committee.

Pp. 299–304: Germany: In regard to the Reichsbank see also the 1933 Act—the President and the Board of Directors were appointed by the Government; and the Act of February 12th, 1937, providing for full German sovereignty and Government control. On October 16th, 1936, "draconic measures" against

profiteers were threatened in a Ministry of Justice Circular On October 31st, 1936, strict regulation of the use of basic metals was enforced; and a Price Control Commissioner, under the four-year plan, appointed to plan and control the whole national price structure at every stage, in production and distribution of all products. A Law of January 26th, 1937, on companies increased the powers of management at the expense of shareholders, and related dividends to expenditure on employees' social welfare.

Pp. 306–8. Italy Regarding the Corporative System, see pp. 479 and 509 and Odon Por, op cit, for later developments, especially the functions of the Central Corporative Committee. The Price Supervision Committee appointed in November, 1935, was given judicial status under the devaluation decree, October 5th, 1936: there is strict control of producers' and retailers' prices, through the Corporations, relating wages to prices A Decree of April 28th, 1937, transformed provincial councils for corporative economy into provincial corporative councils, which fix and supervise prices in the province, under the competent central corporative authorities, and examine and decide problems relating to the province's economic life.

Pp. 308–9· Norway A Government Bill of March 20th, 1936, sought to amend the 1926 Trust Act, to control production and prices in any industry

P 309· Poland Close Government control of prices of industrial products was instituted on April 8th, 1937: a Price Control Commission was formed, with wide powers over prices, production and exchange of commodities and cartels' operations

Pp. 312–14· Japan· On June 15th, 1937, the Government decided to embark on a five-year plan prepared by the Planning Board: adjusting supply and demand of commodities and expanding production capacity.

Pp. 314–15: Argentina· See p. 492 in regard to the Transportation Bill. In 1935–6, the National Grain and Elevator Board was given control of production and marketing of all cereals, except wheat and maize. Brazil: In 1936, compulsory delivery of 30 per cent of the season's coffee crop to the National Coffee Authority, against a nominal payment, for elimination, was instituted. A Decree of June 25th, 1937, puts the whole Mexican agrarian system under the supervision and control of Federal agencies The Secretariat of National Economy will set up producers' associations to undertake complete economic planning and control of primary products. Thus production, distri-

bution and marketing of all foodstuffs is under strict State control The above associations will regulate production, promote production both as regards domestic needs and exports and regulate the domestic market by fixing uniform and remunerative prices All producers must limit production according to a quota system imposed, under Government control, by the respective associations, to which they must sell all their production Associations must supply monthly reports about stocks, and an estimate of the harvest and crop prospects. Sales proceeds will be distributed by associations to members in proportion to production The Secretariat of National Economy fixes a price scale, manages producers' associations and establishes the annual volume of production for each association Associations will be non-profit making The aim is to make farm prices remunerative to the agriculturist, and, by eliminating competition and the middleman, to reduce the cost of living for the urban population

Pp. 316–30: United States Under the Soil Conservation and Domestic Allotment Act, 1936, the Department of Agriculture, instead of making contracts with farmers, agreed to pay farmers about $10 an acre for taking land out of corn, cotton and other soil-depleting crops and putting it into soil-building grasses and vegetables. To get some permanent control over production, besides conserving arable land, this Bill provided for creating, within two years, a system of Federal grants to States adopting approved machinery for promoting soil conservation, a stable food supply and maintenance of farmers' purchasing power On June 2nd, 1936, the President advocated graduated benefits payments (larger to small farms and less to large ones) in extending the Sugar Control Act; and suggested application of the principle of the Soil Conservation Act. The Jones-Costigan Act, placing domestic sugar production on a quota basis, which expires at the end of 1937, was succeeded by the Sugar Quota Act (September 1st, 1937), designed to stabilise the sugar industry by dividing the American market, by a quota system, between domestic growers and those in U.S. possessions On February 18th, 1937, the President recommended to Congress a system of crop insurance and storage of reserves. On May 18th, 1937, the Agricultural Committee of the House of Representatives received a new farm plan, to operate in 1938 (making a departure from "scarcity economics" to "balanced abundance"), agreed between the Agricultural Administration and farmers, for compulsory control of production to ensure parity prices for producers of cotton, wheat, maize, rice and tobacco; farmers to be offered

adjustment contracts, providing for payments under the Soil Conservation Act, surplus reserve loans and parity payments a Surplus Reserve Corporation would grant loans. A National Marketing Quota would be distributed among producers if, at the start of the marketing year, supply appeared likely to exceed the normal by stated percentages, for the above crops On May 25th, 1936, the Kerr Tobacco Control Act sought to replace the outlawed A.A A system of processing taxes and benefit payments by authorising tobacco-growing States to make agreements to "control production of, or commerce in, tobacco in such States" On May 29th, 1936, the Senate passed the Commodity Exchange Control Bill, broadening the Federal regulatory powers over futures exchanges On March 29th, 1937, the Supreme Court upheld the revised Frazier-Lemke Act, authorising a three-year moratorium on farm mortgage foreclosures.

Pp 332–4 (d) Great Britain: The Overseas Trade Department's Export Credits scheme competes with insurance companies New Zealand: Private banks lost part of their exchange business owing to the operation of the Primary Products Marketing Act. Argentina The Government competes with private enterprise in production, transportation, refining and distribution of petroleum: its distributive concerns ("Y P F") have an overwhelming advantage. Mexico. The National Petroleum Corporation (formed in March, 1937) competes with private companies on favourable terms. The Government's autonomous paper undertakings compete with private concerns United States: The "T.V.A." has competed on very favourable terms with private companies by selling electric power at very low charges, in a poor region

Pp. 334–8 (e)· Many Governments have given tax, rent and debt relief to farmers, industrialists and house-owners. Canada and, especially, the U S. have given large sums to relieve rural areas stricken with drought, flood and soil erosion, the U.S. has created huge special agencies. Various Governments have aided the small man against large financial interests. State assistance in building and insuring ships is given by France, Germany and Italy. Great Britain: The Tramp Shipping subsidy was continued in 1936 and 1937. see the Fourth Report, to the President of the Board of Trade, of the Tramp Shipping Administrative Committee (Cmd 5363, February 1st, 1937) on the effect given to the conditions of the subsidy in organising the industry. In June, 1937, the Export Guarantees limit was extended. An Act of July, 1937, abolished time limits preventing guarantees being given after a certain date or for more than a limited period The

Export Credits Department of the Board of Trade turnover increased in four years from £7½ million to £35 million. The livestock and milk industries, civil aviation and certain concerns in the Depressed, Special and Certified Areas have received subsidies. De-rating and import restrictions are veiled subsidies Quoting Scottish Chamber of Agriculture figures, Sir F. Acland states that State aid to agriculture totals £34 million per annum, including £15½ million from import duties and levies (*Hansard*, January 20th, 1937) Canada: The State subsidises the Trans-Canada Air Service Irish Free State· The State subsidises air transport. Belgium In 1934–5, the State gave considerable aid to private banks and peasants. France: In 1935–7, the State subsidised the coal and wheat industries, and gave export credits and loans to industry and commerce and small businesses to meet wage increases. Italy: The State has given much financial aid to industry, through "I.R.I" and in other ways. Norway: See p. 496 (State Industrial Bank's work). United States: In June, 1937, a shipbuilding subsidy of over £32 million was granted.

Pp. 338–41 (f). See the "International Directory of Co-operative Organisations" (I.L.O), September 19th, 1936, for the latest details of co-operative enterprise (1934–5: 63,000 consumers' societies—90 million members; 62,000 housing societies—14 million members, 488,000 agricultural societies—44 million members; consumers' societies' trade, 63,000 million Swiss francs; agricultural societies' trade, 7,000 million; turnover of rural and urban credit societies, 109,000 million)

Pp. 341–8 (g): At the Paris annual art exhibition, December 17th, 1936, paintings were bartered for necessities and luxuries. Great Britain: Ashfield House has been acquired by the "Order of Friends". See also *The Times*, December 18th, 1936, "Production for Use". United States. A barter theatre has existed, since 1933, in Abingdon (Southern States); see *The Times*, September 8th, 1936.

Pp. 348–51 (a)· On June 30th, 1937, the U S. Maritime Commission stated that applicants for certain shipping subsidies would have to possess certain standards of ability, experience, etc, required for the necessary operations

Pp. 356–61 (e): The French Chanal Act of August 28th, 1936, facilitated the establishment of federations of agricultural and consumers' co-operatives as means of lowering the cost of living.

Pp. 366–78 (5)· A German Act of 1933 created compulsory cartels and instituted strict price control and "accounting cartels", to adjust prices to production costs (such cartels were formed in

the building, printing and steel industries). See p 508 in regard to the projected extension of the Norwegian Act of 1926. A Polish Decree of November 27th, 1935, amending the Cartel Act of 1933, gave the Government wide powers to supervise and dissolve cartels. Regarding compulsory cartels, see: Czechoslovakia, Regulation of Textile Combines Decree, July 9th, 1936; France, measure of July, 1936, regulating coal marketing, and draft Bill of June, 1937, on cartellisation of industry (see p. 501), Italy, shipping reorganisation, December 6th, 1936, and April 17th, 1937, and see Odon Por, op. cit.; and Netherlands Act, May 24th, 1935, authorising compulsory agreements.

Pp. 388–92. See the Labour Party plan for socialisation of the mining industry (August 7th, 1936): demand for representation of the workers in the industry on the governing Corporation.

Chapter VIII, *pp. 403–22*

Pp. 404–16 (1)· On June 19th, 1936, the Special Areas Reconstruction Association was formed by the Bank of England with Government and private aid The Cannock Associated Collieries, Ltd , merger was formed in June, 1936, and the furniture merger, Jays & Campbells (Holding), Ltd., in January, 1937. Regarding iron and steel, see p 499. The British Iron and Steel Corporation was formed, towards the end of 1935, to handle the British Iron and Steel Federation's import and export business and make contracts and commitments for the whole steel industry. In October, 1936, the Lancashire Steel Corporation and Wigan Coal Corporation acquired a controlling interest in the Broughton-Bersham Colliery merger; and Stewart and Lloyds co-operated with the Lancashire Steel Corporation in the Corby works, giving a guaranteed outlet for the former's rolling mill product. In 1928, the four railway companies were empowered to run road services and participate in road operating undertakings. substantial shares have been taken subsequently in road concerns. The companies also were authorised to operate air services: railway air services connect the main lines with Imperial Airways. In December, 1933, occurred the Cunard-White Star Atlantic Fleets' merger (with a £3 million Government advance). See p. 504 regarding tramp shipping. On July 23rd, 1937, a representative meeting of shipowners accepted a scheme framed by the Tramp Shipping Administrative Committee for continuing freight co-operation on a voluntary basis when the subsidy ends. The

Cotton Spinning Act entered into force, September 14th, 1936: see the first statement of the Spindles Board, January 19th, 1936, regarding an inquiry into the industry. In November, 1936, a capital reconstruction of the Lancashire Cotton Corporation took place, with the aid of the Bankers' Industrial Development Company. In 1936, the Calico Printers' Association's chairman stated that agreement had been reached for regulation of printing machinery and for stopping unremunerative competition by a quantum system of apportioning trade; with a view to seeking Parliamentary aid for its enforcement. On February 5th, 1937, after an inaugural period, the Egyptian and Egyptian type mule yarn section of the spinning industry's minimum price maintenance scheme, administered by a committee, was signed, a plan to bring ring-spinners within a similar agreement was drafted On July 14th, 1937, 87 per cent of one-third of the firms replying to the Burnley and District Cotton Industry Group's proposals to the cotton weaving industry ((*a*) a system of insurance against stopped looms effected by a levy on all registered looms, with compensation for stopped looms; (*b*) establishment of minimum selling margins fixed by a central Board, adjusted periodically to the state of trade, (*c*) a quota system of control of loom activity) accepted a collective attempt like (*b*) See W. B. Morison's letter, *The Times*, June 10th, 1937. On July 30th, 1937, the Joint Committee of Cotton Trade Organisations decided to prepare fresh plans for reorganisation of the cotton industry in view of a letter received from the President of the Board of Trade promising to put proposals before Parliament and procure legislation to make them binding. On July 23rd, 1937, the Government had rejected schemes for the calico printing and piece dyeing sections; and had asked for schemes viewing the cotton industry as a whole.

Pp. 417–20: There is an International Office for the Study of Distribution. The Industrial Efficiency Act of 1936 permitted the New Zealand Government to promote rationalisation in secondary and distributive industries. On July 9th, 1936, the Czechoslovakian Government applied the glass-industry scheme to the textile industry: a National Committee (including consumers) and a Government Commissioner supervising combines were created. A similar provisional scheme for the clothing industry was introduced, December 4th, 1936. See p. 501 regarding the French coal, and (draft) cartellisation of industry measures. See Odon Por, op. cit., and the operation of the Italian Corporative system, and compulsory rationalisation of

Italian "key industries", e g. shipping and shipbuilding (see pp. 474–5 and 496). The Norwegian measure of 1936 to amend the Trust Act of 1926 facilitated, *inter alia*, regulation of prices and production in any branch of industry, with compulsory organisation of industry and trade, through a Control Board.

Pp 421–2: See also: *The Social Aspects of Rationalisation* (I.L.O , 1931) and the Swedish Government inquiry into the social and economic effects of rationalisation, by the Ministers of Social Affairs and Commerce and Industry, instituted July, 1936.

Chapter IX, *pp 423–32*

Belgium· On June 24th, 1936, the Prime Minister announced the creation of a National Economic Council, co-ordinating economic and occupational organisations representing Chambers of Commerce, Trades and Agriculture, employers' and workers' organisations and linking political organs and economic forces. Bolivia A recent Decree adumbrated the creation of a Parliament representing co-operation between capital and labour. Bulgaria: A Supreme Council of Industry has been formed Canada: An Act of April 17th, 1935, created an advisory council. China has a council. France On April 25th, 1936, M. Sarraut (Prime Minister) said that old-fashioned Liberalism was out of date: reorganisation of the National Economic Council, as Parliament's adviser, was the best hope for the future The Bill modifying the Council, giving it greater authority and defining its powers, was passed, March 19th, 1936: the 20 occupational sections each comprise an equal number of employers' and workers' representatives (see *International Labour Review*, July, 1937, pp. 5–7, "A Year of Experiment in France", by F. Maurette). Germany: On March 26th, 1935, an advisory National Economic and Labour Council (a joint body of the Council of the National Economic Chamber and the Labour Council (Labour Front)) was formed, with 18 similar joint regional councils, to control the different branches of national economic life; also local labour committees (heads of undertakings and staff in equal numbers) for each branch of industry For a full account of the "Estates" and Regional and National Economic Chambers and Councils, and of national planning (a second four-year plan was announced in 1936) and the organisation of the Nazi system, see the Department of Overseas Trade, *Report on Economic Conditions in Germany to March, 1936.* Great Britain: See W. A. C. Good-

child's letter, *The Times*, July 24th, 1937, on the Scottish Planning Committee, J M. Keynes' demand for a national economic information organisation, *The Times*, March 11th, 1937; Lord Melchett's letter, *The Times*, June 1st, 1937, advocating co-ordinated national economic activity; and Sir Wm. Beveridge's call for an Economic General Staff, at Ashridge College, July, 1937 India: In 1935, the Province of Madras created a Council. Italy See *International Labour Review*, September, 1934, "Aspects of Planned Economy in Italy", by Signor Marcelletti, and January, 1935, "Trade Associations and Corporations in Italy after the Recent Reforms", by A. Anselmi; *I L O Year-Book, 1935–6*, pp 393–4; *The Italian Corporative State*, by F. Pitiagliani, London, 1937; E. Barker (in *The Times*), op. cit ; and Odon Por, op. cit. An Act of September 1st, 1935, conferred on the Central Corporative Committee, acting as the General Staff of the 22 Corporations, all powers and functions held by other organs of the National Council of Corporations (it would exercise, under the Head of the Government, the ratifying power of the General Assembly, which meets infrequently). An Act of April 16th, 1936, brought consortiums under the Corporations' immediate control. On November 19th, 1936, a Commission was appointed to draft plans for a Chamber of Fascios and Corporations to replace the Chamber of Deputies Japan· A National Planning Board was created, May 13th, 1937. On June 15th, 1937, a five-year plan was announced Portugal: A Decree of August 15th, 1934, created a Corporative Council A Decree of November 27th, 1934, created a Chamber of Corporations to advise on all Bills to be submitted to the National Assembly. Corporative institutions were confirmed by an Act of March 23rd, 1935. Sweden: On January 22nd, 1936, a Committee of Experts was appointed to study means of organising society so as to avoid the evils of another depression United States: See the President's proposals (January 12th, 1937) for reorganising the Executive, in a master plan of administration On April 23rd, 1935, a five-year plan of economic reconstruction was introduced. Iraq has instituted a five-year plan.

P. 432, Footnote: The Austrian Council has 81, the Canadian 16, and the French (revised Act of 1936) 173 (with a permanent committee of 40).

CHAPTER X, *pp.* 433–53

Pp. 433–5 (*a*)· See p 484 (Rural Electrification Administration).

Pp. 435–7 (*b*): See Sir J Stamp's Presidential Address to the Blackpool meeting of the British Association, September, 1936 (and *The Times*, September 17th, 1936, leading article thereon: "Under the stimulus of the profit motive, physics and chemistry and their industrial applications have become hypertrophied, biology is only moderately cared for, and the human and social sciences are starved"); J. A. Clark, *Strategic Factors in Business Cycles* and investigations for the U.S. National Bureau of Business Research, in a recent treatise on "Past Accomplishments and Present Prospects of American Economics" (*American Economic Review*, March, 1936, pp. 1–11) (Mr. Clark sketches the dilemma between the wage rate necessitated in order that it may be profitable for employers to give workers full employment and the high wages which are generally considered necessary to maintain purchasing power, and indicates that this dilemma cannot be solved within the framework of the old private profit system); and Mr. Colbjornsen, Government Adviser, Norway, speaking in the International Labour Conference, Geneva, June 12th, 1937: "There certainly seems to be a growing opinion which favours the view that in order to secure a steadily rising production and consumption, it is required to put new stimulants, new supplementary motors into the old machinery depending hitherto chiefly on private profit and profitability for its functioning".

Pp. 441–3 (*d*): See *International Labour Review*, July, 1936, "The Stakhanov Movement and the Increased Productivity of Labour in the U S.S R.", by B. L. Markus; and *The Times*, Special Correspondent, February 6th, 1937 "Enthusiasm and integrity were sufficient for the bare establishment of Socialism. They were not sufficient, however, for its exploitation. A régime of salaried workers demands domination by experts."

Pp. 445–8 (*f*): Note the advantages to the New Zealand dairying industry through the Primary Products Marketing Department plan (the lower rate of interest on advances to creameries by the State Reserve Bank; reduction of London wholesalers' selling commission, etc)

Pp. 448–50 (*g*): Cf. the great success of the U.S. "P.W.A." in promoting efficiency and honesty in designing and construction of public projects· the "P.W.A." sign implies high quality. The "P.W.A." organised a force of men of high professional calibre,

who "found certain attractions in the 'P.W A' service which compensated them for their relatively modest salaries. . These men had . an opportunity to do a good job. . Engineers were to build, as engineers had always wanted to build, public undertakings without having to employ favoured contractors, without having to use materials whose chief merit was that they brought profit to some politician . ." (see *International Labour Review*, June, 1937, H. Ickes, op. cit). See also Professor Cramp's Presidential Address to the Engineering Section, British Association, September, 1936, calling for engineers' enrolment in a comprehensive organisation with a high standard of professional ethics

Pp 450–3 (h): Cf. *The Times*, August 24th, 1936, speaking of the great financial success of the South African railways, 1925–35, covering the worst part of the economic crisis: "The taxpayer appears to have benefited from nationalisation in South Africa."

Chapter XI, *pp. 454–63*

P. 456: Austria: The old 1919 Works Councils (continued temporarily) ended, November 30th, 1935, when new "Works' Communities" (Act of July 12th, 1934: working and activities defined by an Order of December 10th, 1935) began An Act of November 24th, 1936, created corporative committees, comprising equal numbers of representatives of workers' and employers' associations, in each occupation in all trades in industry, mining, handicrafts and commerce; to discuss economic and social questions of common interest to employers and workers, etc. Germany: In 1935, the system of "Confidential Councils" (Act of January 20th, 1934) was extended to every branch of economic activity. In all organs and subdivisions of the Labour Front (regional or occupational), heads of undertakings and staffs, or "Confidential Councils", must be associated, in equal numbers as far as possible. Joint Labour Councils are set up within Works' Communities to discuss all matters affecting the trade concerned. See also p. 508, and *International Labour Review*, July, 1937, "New Trends in Social Policy in Germany", by L. H. A. Geck.

P. 463, Footnote 2: Cf. Odon Por, op cit: "The effective operation of the corporative system establishes a relation between the workers and the individual undertaking in which they are

employed, as though it were partly their own It gives them a stimulus, associating their interests with production as a whole, as if the responsibility for directing production had been entrusted to the workers, jointly with the owners and managerial staff, by the community This change of attitude is of immense importance Its effect makes the extent of the remuneration and the rate of distribution depend on the productivity of the country . . . The owners and managers of the undertaking are ready, both individually and, in their economic organisations, collectively, to supply . . . at all times . . reports concerning the problems and interests of their industry . . . The workers, on the other hand, who in the past only considered industrial problems superficially, or did not consider them at all, must study these questions thoroughly. . . ." In Italy, in 1935, the workers' status under the Corporative System (under an Act of February 5th, 1934, the workers sit on all corporative administrative bodies in equal numbers with employers, Corporations' functions including· "the drafting of rules for the collective regulation of economic relations and the unitary organisation of production", a comprehensive formula for intervention and supervision in the economic sphere) was strengthened by the establishment of corporative technical committees to prepare for regulation of production and marketing of certain products workers and employers got representation, also the State and the Fascist Party

Chapter XII, *pp. 464–71*

P. 466: The Dewan of Mysore said that while private enterprise was proverbially unenterprising and private capital notoriously shy, Governments had perforce to take a more active practical interest in the problems of trade and industry. "In India State Socialism is not only desirable, but necessary if the pace of industrialisation . . . is to be accelerated" (*The Times*, October 27th, 1936).

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n. = footnote.

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